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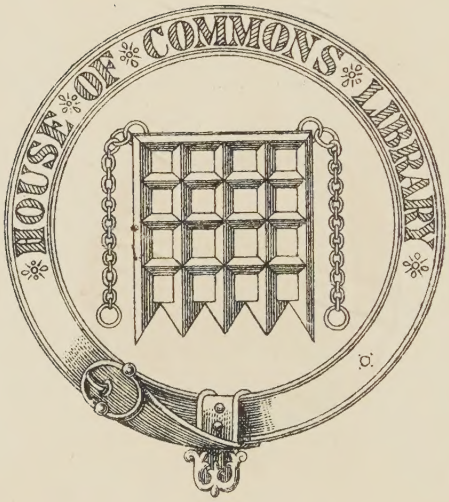

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AN ECONOMIC HISTORY OF EUROPE
1760–1930

AN ECONOMIC HISTORY OF THE BRITISH ISLES

by

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WITH FOUR MAPS

FIFTH EDITION

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PREFACE TO FIRST EDITION

In this book I have tried to give a connected account of the economic development of the four countries that make up the British Isles. So far as I am aware, no previous attempt has been made to do this in a single volume. In the effort to compress a long and complicated story into reasonable space, I have had perforce to devote most of my attention to broad movements and to pass lightly over unimportant details. But this, according to one great authority, is how all history should be written. 'Les détails qui ne mènent à rien' said Voltaire 'sont dans l'histoire ce que sont les bagages dans une armée, *impedimenta*; il faut voir les choses en grand.' I have observed as faithfully as I could this excellent maxim. Mere detail I have unhesitatingly sacrificed when its inclusion seemed likely to confuse the reader or to conceal from him the orderly sequence of economic change. But at the same time, I have been careful not to omit any facts or factors which are essential to a proper comprehension of the economic evolution of these islands. The account here presented will, it is hoped, assist the ordinary reader to obtain a clear, general view of the material progress of the four British peoples, whose political and economic fortunes, fate has so inextricably intertwined.

Portions of the manuscript have been read by Principal J. F. Rees of the University College of South Wales and Monmouthshire, and by Dr. Henry Hamilton, Lecturer in Economic History in the University of Aberdeen. To these two gentlemen, I tender my grateful thanks for their very helpful comments and suggestions.

A. B.

February, 1935.

PREFACE TO FIFTH EDITION

FACTS and figures have been revised so far as possible up to the eve of the Second World War. In the text, the expressions " the War " or " the Great War " refer to the War of 1914–18.

A. B.

1945

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(Based on map in 'English Field Systems' by H. L. Gray, by permission of Oxford University Press.)

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INTRODUCTION

The Meaning of Economic History.—Economic History has been briefly defined as the study of material progress.[1] It is the record of man's efforts to supply his material wants, to provide himself with the elementary necessities of food, clothing and shelter. Activities of this kind are called *economic* (from the Greek word for housekeeping), and the things which man needs for his physical wants, but which he cannot obtain without labour or sacrifice, are called *wealth*. In the successive evolution of more and more efficient methods of producing wealth consists a large and important part of human progress. Much of this advance has been due to the steady growth of *specialization*, to the breaking up of economic activities into their three great branches of agriculture, industry and trade, to the rise of separate trades and professions, and to the minute division of functions among producers, until (to take Adam Smith's famous illustration) a simple article like a pin becomes the combined product of a dozen men's labour. But still more is this progress due to *co-operation*, without which indeed specialized production could not exist. Man has strong gregarious instincts. Unlike some of the lower animals who stalk their prey singly, he seeks subsistence in association with his fellows. Robinson Crusoe, despite his popularity with economists for illustration purposes, was not a normal human figure. Economic activities have always been social. From the earliest times the way in which wealth has been produced and shared out has been determined by some kind of agreement among the producers. The totality of customs and agreements which regulate the production and distribution of wealth in any society we call

[1] W. Cunningham, *Hints on the Study of Economic History*, p. 7.

its *economic system*. And if we wish another description of Economic History we may say that it is the record of the economic systems of the past.

From this it follows that Economic History is closely related to the science of Economics. Economic History describes the economic systems of the past. Economic Science analyses the economic system of the present. Each owes much to the other. The main defect of the earlier political economy was its tendency to accept the economic system which happened to exist in nineteenth-century England as something absolutely and universally valid, and to regard all other systems, past and present, as inexplicable aberrations of the human intellect. The historians helped to correct this narrow and mistaken view. They showed that economic principles and laws were merely *relative*, that is, they must be judged in relation to the times and circumstances amid which they arose ; [1] that considered in this light, few economic systems or policies of the past have been utterly without justification ; and that on the other hand, an economic system which worked well in Victorian England would not necessarily function smoothly if transplanted to the England of Elizabeth, or to contemporary societies with a different organization like Ireland or India. If this seems all very obvious and commonplace now, it is merely a tribute to the change in the mental outlook of the ordinary educated person which has been wrought by the economic historians.

Economic History ranks also as an indispensable branch of General History. The part played by the economic factor in moulding human destinies runs no risk of being overlooked to-day. The tendency indeed is rather to exaggerate than underestimate its influence. According to the *Materialist Conception of History*, which we owe to Karl Marx, 'an economic historian of power though not of light',[2] the only factors worth considering in history are the economic factors. In them we find the explanation, not merely of the social and political institutions of an epoch, but of its 'ideology', its

[1] An absolute principle, on the contrary, holds good at all times and in all places. The laws of nature, and to some extent those of ethics, are instances.

[2] S. and B. Webb.

art, literature, philosophy and religion. The inadequacy of this theory stands most clearly revealed when attempts are made to apply it. The interpretations given by Marxians of particular historical periods (by Loria, for instance, in his *Economic Foundations of Society*) are supremely unsatisfying and generally verge on the fantastical. Yet the Materialist Conception of History is merely the exaggeration of an undisputed truth. 'Man's character has been moulded by his everyday work, and the material resources which he thereby procures, more than by any other influence unless it be that of his religious ideals; and the two great forming agencies of the world's history have been the religious and the economic.'[1] Great historical movements like the fall of the Roman Empire, the Reformation, or the French Revolution, cannot profitably be studied without an adequate knowledge of their economic background. The whole course of human history becomes unintelligible unless large allowance is made for the action of economic factors.[2]

Economic History deals primarily with the material side of human progress, but it is not therefore a materialistic study. Civilization, in its intellectual and spiritual aspects, is bound up with the achievement of a certain degree of material prosperity. Bread and butter questions are important because without bread and butter the artist could not paint, the poet dream, the philosopher weave his theories or the politician save his country. Indirectly, then, the economic historian is concerned with the highest interests of mankind. He traces that material progress without which the noblest activities of the human spirit could never reach fruition. And this, in the last resort, is the chief claim of Economic History to rank as a serious subject of study.

[1] Marshall, *Principles of Economics*, p. 1.

[2] For a balanced discussion of this whole subject, see Seligman's *Economic Interpretation of History*.

BOOK I

FROM THE EARLIEST TIMES TO THE ELEVENTH CENTURY

CHAPTER I

THE PREHISTORIC AGE

Palaeolithic Man.—In the lands which now compose the British Isles human history goes back for at least 30,000 years. Even earlier than this a species with human characteristics, though distinctly inferior to *homo sapiens*, left behind traces of its existence.[1] For these early ages, of course, written evidence is entirely lacking, and our knowledge is derived from the researches of archaeologists and anthropologists. The racial character of the first inhabitants of Britain cannot now be determined and all trace of their speech has utterly vanished. We only know them by the material remains they left behind. These consist chiefly of tools and weapons of stone or chipped flint. Hence the name given to this period, the Palaeolithic or Old Stone Age.[2]

The Palaeolithic Age lasted for something like 20,000 years. During that long period, remarkable climatic changes took place. Twice at least the ice-cap descended from the North Pole and covered northern Europe. Between these wintry seasons occurred warm spells during which man could bivouac in the open and dispense with bodily clothing. In the cold periods he sheltered in caves and clothed himself with the skins of wild beasts. Despite the fluctuations in his environment, Palaeolithic man did not vary his economic activities

[1] The Piltdown skull discovered in Sussex in 1911 belonged to one of these early submen. It has been variously estimated at from fifty thousand to half a million years old.

[2] Gr. *palaios*, old, and *lithos*, a stone. The very earliest stone implements found in this country and elsewhere are called *eoliths* (Gr. *eos*, dawn). It is probable that many of these were the work of the submen who were the predecessors (though not the direct ancestors) of true man.

much. His chief means of livelihood was hunting. Over the grassy steppes of which Europe then was mainly composed, he chased and speared many animals now long extinct, the mammoth, the woolly rhinoceros, the sabre-toothed tiger. When the supply of game failed, he fell back on fishing or the gathering of roots and berries.

About the social organization of these primitive men we can only speculate, basing our surmises on what we know of the condition of savage peoples in the world to-day. Hunting was almost certainly carried on in bands or packs, in which men and women sometimes mingled. Generally the sexes seem to have been less dependent on each other than they are to-day. Either woman's muscular inferiority was not so pronounced, or it counted for less in view of the primitive nature of the economic activities pursued. Whatever the reason, women often lived and hunted in groups separate from men, making any institution comparable to the modern family quite impossible. Mating between the sexes took place, it is true, but the unions were temporary and largely promiscuous. Primitive custom imposed only two restrictions on sexual relationships. A partner must not be taken *outside* one's own generation or *inside* one's own kin group.[1] The offspring of these unions were brought up in the women's camp until they reached maturity, when the girls remained but the boys departed to join the men's group. Under this system, known as matriarchy or mother-right, family relationships were traced through females, not through males, and it is probable that this conferred on woman greater social consideration than she enjoyed later. There is, however, no agreement on this point. Another unsettled question is the degree to which matriarchy prevailed in the primitive world. In the opinion of some it was universal, and the predecessor everywhere of the later patriarchal system. Though the evidence hardly justifies so sweeping a conclusion, it is certain that matriarchy was exceedingly common among primitive peoples. It is still to be found in some out-of-the-way corners of the globe, and interesting

[1] This is the rule of *exogamy*. Kin groups were distinguished by the sign of some plant or animal called a totem. How the arrangement into totem-groups was carried out is not clear.

survivals of it can be traced in later systems based on father-right. Thus the Scottish Picts according to Bede traced descent in the royal house through the mother, and in the custom of ancient Germany, as well as more recently among the tribes of the Caucasus, the duty of blood-revenge was undertaken by the maternal uncle. The explanation of the latter custom is that when relationships cannot be traced through fathers, a man's nearest male relative of mature age is his mother's brother.

Neolithic Man.—The Palaeolithic Age came to an end about 10,000 B.C. It probably expired in some great natural cataclysm, a sort of ice-deluge, which killed off Palaeolithic man or drove him southwards. After an interval we find Britain again occupied, this time by a race of dark long-headed men from the south of Europe, called by ethnologists Iberians.[1] They had probably absorbed the remnant (if any) of the Palaeolithic men. Shortly after their arrival, the series of physical and geological changes took place which gave Britain its insular character. Hitherto it had formed a single land mass with the Continent. Now the sea flowed through the English Channel, spread over the bed of the North Sea and submerged the land between England and Ireland. The British Isles for the first time made their appearance in history. Weather conditions also became more settled. The Ages of Ice came to an end and a warm, moist climate set in which covered the grassy steppes of Europe with virgin forests and peopled them with a fauna very little different from that which exists to-day. Since these times, man's physical environment in these islands has undergone no fundamental change.

The Neolithic Age (Gr. *neos*, new) lasted about 8,000 years. In its economic aspect, it represents one of the most fruitful periods in human history. Indeed, if we consider the point from which Neolithic man started, we must admit that his progress in material culture has had no parallel since. The tools he used were still made of flint, but instead of being

[1] From their resemblance to the Basques of the Iberian peninsula. The European peoples are divided into three main groups: Nordic, Alpine and Mediterranean. The Iberians were partly Mediterranean and partly Alpine.

merely chipped they were ground and polished. With these more efficient instruments, he was able to build himself durable habitations, pit-dwellings, lake-dwellings and 'beehive' huts, and to raise those stone circles at Stonehenge and elsewhere which, whatever their purpose, represent engineering feats of no mean skill. Hunting continued to be the main economic resource until late in this period, but it was supplemented by two new forms of activity of untold importance—cattle-rearing and tillage. The art of rearing animals in captivity was probably discovered accidentally through the practice of making pets of the young of animals slaughtered in the chase. It represented an enormous step forward. From domesticated oxen, sheep and pigs, man obtained a more regular food supply, besides the use of valuable products like wool, leather and horn. The art of tillage was probably also the result of an accidental discovery. The custom of concealing supplies of fruits and berries in the earth is still common among savage tribes. The sight of some secret hoard of this kind sprouting into life may well have suggested to primitive man the idea of deliberately sowing seed and raising crops. Early agriculture was hoe-culture. Its chief implement was a bent stick or a deer's antler which was used to make holes in the earth for the seed. Continual cropping of the same piece of ground gradually impoverishes it, and this physical fact must early have forced itself upon the notice of the first cultivators. But so long as land was plentiful, the problem was easily solved. A fresh piece of land was brought under cultivation to replace the patch that had become exhausted. This is what is known as *extensive tillage* or the *one-field system*. Another distinguishing feature of this early agriculture was its tendency to keep to the high lands and to avoid the heavily wooded, waterlogged valleys. The ridges which are still discernible on many of our hillsides are vestiges of this primitive cultivation.[1]

[1] Examples are the Dunsappie Terraces on Arthur's Seat, Edinburgh, the Romanno Terraces in Peeblesshire, and the 'lynchets' to be found in various parts of England. See E. C. Curwen, *Air Photography and Economic History*; and Raistrick and Chapman, 'The Lynchet Groups of Upper Wharfedale, Yorkshire', in *Antiquity*, June, 1929.

In other directions Neolithic man was a notable pioneer. Amongst his remains have been found querns or handmills showing that he knew how to grind corn, while spindle-whorls and tiny fragments of cloth testify to his knowledge of the art of weaving. These are early examples of manufacturing industry, the branch of economic activity which adapts raw materials to the use or consumption of man. Another interesting industrial feature of this period is the evidence of the sinking of flint mines and the establishment at the surface of what may be called flint factories. At Cissbury in Sussex and Grimes Graves in East Anglia regular mining shafts and tunnels have been discovered containing examples of the chalk lanterns and deer-horn picks used by Neolithic miners. Signs of a little trade can also be detected. Hoards with a striking resemblance to pedlars' packs have been unearthed in various spots, and articles have been discovered which have obviously travelled long distances from their place of origin. The jade axes found in England, for instance, must certainly have come from the Continent, as this stone only occurs in the Alps.

In the later Neolithic period the use of the metals was discovered. Copper was the first to be mined, but it was too soft for most purposes. Mixed with tin, however, it gave a hard and durable metal called bronze. The so-called *Bronze Age* extends in Britain from 2000 B.C. to 400 B.C. Copper and tin were found in Cornwall and Wales, and mining and smelting communities were established in these districts. It was in search of these metals that Phoenician traders came to these islands as early as 1000 B.C. and opened up a regular trade between Britain and the Eastern Mediterranean.

In speaking of the social institutions of Neolithic man, we are again reduced largely to conjecture. But we shall probably not err if we associate the transition from the matriarchal to the patriarchal system with the rise of pastoral and agricultural pursuits. Economic life now became harder and more intricate, and woman's physical inferiority to man stood clearly revealed. To her were relegated the humbler and less interesting tasks of cow-milking, butter- and cheese-making, spinning and weaving. Hoe-culture was also in the

beginning mainly women's work. The men reserved for themselves the more interesting and exciting occupations of hunting, trapping and breaking in animals, and rounding up the herds to pasture. This rough division of labour between the sexes produced important changes in their social relationships. Now that man felt the need for female help (unless he was prepared to do a great many tedious and laborious tasks himself) he desired to obtain control of women's labour. He secured this by marriage. Permanent unions took the place of the fleeting associations of earlier times ; and since the object was to control as much female labour as possible, these early marriages were mostly polygamous.

With permanent marriage the difficulty of tracing relationships through fathers disappeared and the social unit became the human family ; not however the circumscribed group to which we are accustomed, but rather a small clan embracing several generations of the same blood, and governed by the oldest male ascendant, the grandfather or great-grandfather. We can assume that Neolithic man in Britain lived much the same kind of life as the Hebrew patriarchs, practising polygamy, living in small communities, rearing sheep and cattle, tilling the ground a little, and shifting from time to time in search of fresh pasture or unexhausted virgin soil. Through time, by a process of which it is not difficult to imagine the successive steps, different families coalesced into kindreds and kindreds into tribes. In this way arose tribalism, the social and political organization which prevailed in Europe till the development of the feudal system.

The Celts.—With the coming of the Celts we reach the threshold of the historic age. No longer are we dependent solely on archaeological remains for our knowledge. Written sources, though scanty and meagre, begin to supply information. In the days of Alexander the Great, Pytheas, an explorer from Marseilles, circumnavigated our island and wrote his impressions of the country and its people. Fragments of his writings have survived. In the first century before Christ, Julius Caesar wrote his well-known description of Britain and its inhabitants, and a generation later Strabo, the Greek geographer, included a brief reference to this country

in his encyclopaedic account of the world. Finally, there is the much fuller written evidence regarding the later social organization of the Celts in Wales, Ireland, Scotland, Brittany and elsewhere which can be used with caution to throw light on their earlier condition.[1]

The Celts were a Nordic people who invaded Britain in two great waves. The first to come were the Goidels or Gaels about 600 B.C. Two centuries later the Brythons or Britons arrived and drove the first invaders into Scotland and Ireland. The Belgae with whom Caesar came most into contact were a Brython folk with a strong Teutonic infusion who had settled in southern Britain about 200 B.C. The conquering Celts did not exterminate the native population but enslaved and intermarried with them, which accounts for the strong Iberian strain in the present inhabitants of the British Isles, visible in their physical characteristics.

The Celts were a tribal people who had quite definitely emerged from the matriarchal stage (though traces of the older system were still to be found).[2] They settled by kindreds in small hamlets (*trevs*) or groups of scattered homesteads.[3] Marked social differences had appeared among them. The chiefs, the nobles and the powerful priestly caste of Druids formed a privileged aristocracy, while beneath the free tribesmen was a servile class of slaves and bondmen. Direct subordination of the unfree to the free was rare. The difficulty of organizing a system of slave labour such as that practised on the Roman *latifundia* or later on the southern plantations of the United States led to the segregation of the

[1] 'We have the right to use these materials, scattered through many lands and many centuries, because, notwithstanding all the variety of details, they present a remarkable unity of fundamental arrangement and a not less remarkable contrast with the institutions of neighbouring races.'—Vinogradoff, *Growth of the Manor*, p. 4.

[2] For examples, see Vinogradoff, *op. cit.*, p. 9.

[3] The German scholar, Meitzen, in his great work, *Siedelung und Agrarwesen*, considers the hamlet of scattered homesteads as the typical social unit of the Celts, in contrast to the *nucleated village* of the Teutons and the *round village* of the Slavs. The correspondence between race and social organization is curious, but can hardly be described as other than accidental. Topographical and geographical factors must necessarily have played the chief part in determining the nature of local settlements.

servile class in hamlets of their own. Thus free and unfree hamlets existed side by side. Both paid dues, mainly in the form of foodrents to the chiefs and other members of the ruling class, but the tribute exacted from the servile hamlets was naturally much heavier.

The Celts were almost exclusively a pastoral people. They reared herds of oxen, sheep and pigs, supplementing these pastoral activities by hunting, fishing, beekeeping and a little agriculture. From Caesar's account of the Belgae we almost get the impression that agriculture was a whole-time employment in south-east Britain. But all the other evidence points to its being a subsidiary occupation. The Celtic method of cultivation was that later known as the *runrig* or *rundale system*. At this stage, it was a form of extensive cultivation, for land was in abundance. The chief agricultural implement was either the old digging stick improved (like the *cashcrom* or hand-plough used till recently in the Hebrides) or a light two-oxen plough with a simple iron point or sock which made a shallow groove in the soil. With this primitive instrument, it was necessary to go over the field in two directions at right angles to each other. The size and shape of the Celtic fields which were squares or oblongs measuring from a half to 1½ acres were determined by the necessity for this criss-cross ploughing.[1]

Amongst the Celts private property in land was unknown. The grazing grounds were used in common and there was no need to share them out among the tribesmen. The cultivated land likewise was the property of the community and was resumed and redivided after every harvest. Differences in wealth or status existed between the various ranks of tribesmen, but within each *trev* a primitive equality reigned and was maintained by frequent redivisions of property (mostly cattle) among the members. If we accept later Welsh custom as applying to this early period, there were two methods of redivision. In some hamlets the rule was exact equality, and redivision took place immediately any change was produced in the number of the members by deaths or the coming of age of young boys. In others redivision only

[1] Traces of these early Celtic fields have been found by air-photography. See E. Cecil Curwen, *Air Photography and Economic History*.

took place after all the members of a single generation had died out. In the interval a dead tribesman's share was divided amongst his sons, so that between two redivisions, a considerable degree of inequality might prevail.[1]

During the Celtic period, iron displaced bronze as the chief metal for the making of tools and weapons. The *Early Iron Age* in Britain is generally dated from about 400 B.C. In Sussex and the Forest of Dean, the Celts mined and smelted iron, and they worked lead in the Mendips. Their women wove cloth and dyed it with a brilliant colouring substance obtained from lichen or the bark of trees. In the later Celtic period the making of pottery, weapons and ornaments reached a high standard of excellence. This partial industrial specialism stimulated a certain amount of trade, and the striking of gold coins by Celtic kinglets in imitation of the Macedonian *staters* may be taken as doubtful evidence that exchange was increasing.[2] With the Continent, Britain maintained and extended her trading relations, and in a list of imports and exports given by Strabo commodities like ivory, amber, corn, cattle, iron and slaves are included. Trade and industry, however, were exceptional activities which played only a small part in the economic life of Celtic Britain. Pastoral pursuits absorbed practically the whole of the energies of her people.

FURTHER READING: Norman Ault, *Life in Ancient Britain*; Vinogradoff, *Growth of the Manor*, Book I, chap. i.

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[1] For details, see Vinogradoff, *Growth of the Manor*, pp. 19-21.

[2] It is probable that the coins were used as medals rather than as currency.

CHAPTER II

THE ROMAN OCCUPATION

Extent and Nature of the Occupation.—Caesar's punitive expeditions against the Celts in 55 and 54 B.C. had no permanent results, but about a hundred years later (A.D. 43) the conquest of the island was systematically undertaken and completed within half a century. Britain became a Roman province. But the sphere of Roman power never extended much beyond the Tyne and the Solway. The attempt to reduce Scotland was finally abandoned in the second century, while the subjection of Ireland was at no time seriously contemplated.[1] Thus early in their history, the three main components of the British Isles parted company and pursued different roads in social and economic development. Later events, like the English and Norman Conquests, accentuated the separation, so that from this time onwards it is impossible to give a single connected account of the economic development of the British Isles. The economic history of each of the component countries must be treated separately.

The Roman Occupation then was confined mainly within the limits of what is now England, and its civilizing influence was almost entirely restricted to the south-eastern region, south-east of a line drawn from Gloucester to York and running through Shrewsbury, Chester and Derby. As has been pointed out,[2] this coincides roughly with the 600-feet contour line which divides the south-eastern lowlands from the north-western uplands. In all the later developments

[1] Though Agricola considered that the island could have been conquered with a single legion and a few auxiliaries. Tacitus, *Agricola*, chap. xxiv.

[2] Haverfield and Macdonald, *Roman Occupation of Britain*, p. 94.

of English social and political history, this boundary has been of immense significance. From the economic point of view, it marks the division between two sharply contrasted regions, a distinction which has remained to this day. Down to the eighteenth century, the south-east was the wealthiest, the most progressive and the most densely populated part of England. The north-west was backward and poor. But the Industrial Revolution made coal and iron instead of soil and climate the material bases of prosperity and turned the balance of wealth and population in favour of the north-west. The dividing line, however, remained. Though industry has recently shown some tendency to migrate southwards, there is still a broad distinction between the industrial north-west and the agricultural south-east.

The degree of the romanization of Britain has long been a subject of controversy. According to one extreme view, the occupation was entirely military and its civilizing influence negligible. It is indeed significant that most of the surviving Roman remains are of a military character. On the other hand, it is scarcely credible that Britain's social life should have remained unaffected during the 400 years that she was a Roman province. Admittedly, however, Britain was never romanized to the same extent as Gaul or Spain. As already stated, Roman influence was mainly confined to the south-east, and within that area to the neighbourhood of the urban centres that developed during the occupation. The civilization of Rome was a town civilization, and though only one British town, Verulam (near the present St. Albans), obtained the full legal status of a self-governing *municipium*, there were four colonies of time-expired soldiers, Colchester, Gloucester, Lincoln and York, and about a dozen former tribal capitals which became important centres of Roman culture.[1] Within the neighbourhood of these towns, the wealthier Celts adopted the Roman dress, speech and customs. But there must have been large areas outside quite untouched

[1] Among these were Exeter, Dorchester, Caerwent, Cirencester, Winchester, Chichester, Silchester, Canterbury, Caester-next-Norwich, Leicester, Wroxeter and Aldborough. London and Bath were also important centres during this period. See the section on Roman towns in Collingwood's *Roman Britain*, pp. 53–79.

by Roman influence where the Celtic tribal and village organization continued unchanged. The imperfect romanization of Britain is clearly revealed by the remarkable Celtic revival which took place in the fifth and sixth centuries when British Celts invaded and colonized the peninsula of Armorica, obliterating all traces of Roman civilization and giving that district (now Brittany) the peculiar character which distinguishes it from the rest of France to-day. If the invaders had been romanized in even a slight degree it is hardly likely that they would have shown such determined hostility to Roman institutions and culture.

The Occupation in its Economic Aspect.—For nearly 400 years Britain enjoyed the benefits of the *Pax Romana*, and made remarkable progress in the development of her natural resources. Before the coming of the Romans, the Celts had been mainly a pastoral people, but now Britain became celebrated as a corn-growing and corn-exporting country. She was named the 'granary of the north' and her grain-exports were of importance in keeping the legions on the German frontier supplied with bread. On one occasion, according to the fifth-century historian, Zosimus, as many as 800 vessels were sent to fetch the British corn-supply. Though this is probably an exaggeration, it shows how contemporaries were impressed by the extent of Britain's overseas trade in corn. The part played by Roman colonists and administrators in bringing about this transformation can only be conjectured. It has been suggested [1] that Roman agriculturists may have acquainted the Celts with the use of the big plough with the huge iron share, drawn by four oxen or more. But this is an unsettled point.[2] We are on surer ground in supposing that the Romans introduced into Britain the methods of landholding and estate management which they practised on the Continent. Private ownership and appropriation of land had long been recognized by Roman jurisprudence and the prevailing type of husbandry

[1] By Vinogradoff, *Growth of the Manor*, p. 44.

[2] The evidence, derived from air-photography, of the size of the fields during the Roman period is rather against this supposition. See E. Cecil Curwen, *Air Photography and Economic History*, pp. 10, 27.

in Italy (apart from the slave plantations) was individualistic. The size of the holding (*fundus*) showed infinite variation. The imperial laws distinguish large, middling and small proprietors. Under the later Empire, however, the tendency was strongly in the direction of large properties (*latifundia*). Heavy taxation and the insecurity of the times steadily thinned the ranks of the small landowners. A large estate might be formed through the fusion of a number of small holdings (a *massa*) or it might be carved out of a tract of waste land (a *saltus*). Whatever their origin, large estates tended to be organized after the same pattern. At the centre was a little settlement including the residence of the proprietor, the barrack for his slaves, and buildings like kitchens, stables, granaries, mills, wine-cellars and forges which were necessary for a self-sufficing rural community. The proprietor's residence was called a *villa* and this name was often extended to the whole estate. The cultivated land was divided into two parts. One part was farmed directly by the proprietor with the aid of slave labour. For this purpose the slaves were arranged in groups of ten (*decuriae*), each under an overseer or *decurio* who was responsible to the *villicus*, the proprietor's steward. The land outside the home farm was let to cultivators (*coloni*) each of whom had a separate holding and homestead and paid a money or produce rent with the addition of a few days' labour yearly on the home farm. Originally the *coloni* were free tenants, but by a gradual process their liberty of movement was taken from them and they became bound to the soil. Their dues and services, however, were immutably fixed and they could not be ejected from their holdings, though a proprietor might transfer a *colonus* from one part of his estate to another.

In south-eastern England, the remains of about 500 villa-residences have been discovered, and it is almost certain that many of these were the centres of estates of the kind just described. The extent of virgin soil in Britain was specially favourable to large-scale exploitation, and it is permissible to infer that the growth in the corn output was partly due to the carving of villa-estates out of the abundant waste land available. The planting of colonies of veterans

on the *ager publicus*[1] would have the same effect, and so would the practice of compulsorily transporting conquered tribes from one part of the Empire to another in order to repopulate waste districts. That this latter policy was several times applied to Britain, we know. More than once German tribes were forcibly settled on British soil, where they formed a semi-servile class under the name of *Laeti* or *Liti*.[2] Beyond this our knowledge of the measures taken by Roman administrators to enlarge the area of cultivation does not extend. Nor have we information regarding any developments of the villa system peculiar to Britain. The archaeological remains can throw little light on such a question and written evidence is lacking. But it is extremely probable that such peculiarities did exist. In view of the differences in climate and topography, it would be strange if the villa in Britain reproduced every feature of the villa in Italy or even in Gaul. Local circumstances must have been responsible for many variations.[3]

Regarding the other economic activities of Roman Britain, it is only necessary to say briefly that lead and tin were mined in Cornwall and Wales, iron in the Weald and the Forest of Dean, and copper in Anglesey ; coal is said to have been dug in Northumberland. The villa remains testify to the improvement in the arts of building, glass-making and pottery manufacture, which was probably due to the instruction and example of skilled craftsmen from the Continent. The Roman military roads stimulated internal trade, and the political connexion with the Empire helped to develop commercial relations with the Continent. Britain exported corn, cattle, hides, minerals and slaves, receiving in return cloth, salt, wine, ornaments and other articles of luxury.

FURTHER READING.—R. G. Collingwood, *Roman Britain* ; Haverfield and Macdonald, *Roman Occupation of Britain* ; Vinogradoff, *Growth of the Manor*, Book I, chap. ii ; Seebohm, *English Village Community*, chap. viii.

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[1] In every province a large part of the soil was public property, having come into the possession of the State by confiscations at the time of the conquest.

[2] Seebohm, *English Village Community*, pp. 283, 287.

[3] For a discussion of this point, see Vinogradoff, *Growth of the Manor*, pp. 64–7.

CHAPTER III

THE ANGLO-SAXON PERIOD

The English in Germany.—During the fifth and sixth centuries, England was overrun and conquered by a Nordic race from the north-west of Germany. Of the social system imported by the invaders in their keels, merely the barest information survives. Practically the only contemporary descriptions of the English in their native seats are those written by Caesar and Tacitus. The two accounts are separated by a century and a half and it is not certain that they apply to the same group of tribes. The picture presented somewhat dimly by Caesar is that of a pastoral people, practising little or no agriculture and shifting frequently in search of fresh pasture. The grazing lands, he tells us, were assigned annually to tribes and kindreds by the chiefs.[1]

Tacitus wrote about A.D. 100, when the Germans had emerged from the nomadic stage and had begun, though still mainly a pastoral people, to apply themselves to agriculture. The society he describes is characterized by marked inequalities. Among the freemen, there were distinctions due to birth, wealth and political position, while beneath the freemen there was a servile class. Few of the latter, however, were domestic slaves in the Roman sense. The majority had lands and homesteads of their own and paid rents to their masters in corn, cattle and clothing.

[1] 'Their whole life is occupied in hunting and warlike enterprise. . . . They do not apply much to agriculture and their food mostly consists of milk, cheese and flesh. Nor has any one a fixed quantity of land or defined individual property, but the magistrates and the chiefs assign to tribes and families who herd together, annually and for one year's occupation, as much land and in such places as they think fit, compelling them the next year to move somewhere else.'—*De Bello Gallico*, VI, chaps. xxi–xxii.

Tacitus compares them to the Roman *coloni*, and their position was doubtless very similar to that of the inhabitants of unfree *trevs* among the Celts.

The type of village settlement favoured by the Germans cannot be clearly conceived. In one place, Tacitus seems to imply that the tribesmen occupied scattered homesteads. 'They dwell' he says 'apart and scattered, as spring or plain or grove attracts them.' But in the very same paragraph he proceeds to speak of the German *villages* (*vici*) as something perfectly normal, remarking that the houses were not built in streets with continuous roofs but stood each in a separate enclosure. It is not easy to reconcile these conflicting accounts. A suggested explanation is that the scattered homesteads were occupied by free tribesmen and the villages by serfs. But this does not exclude the possibility of villages of freemen. Nor is there any definite evidence to disprove the view that the richer tribesmen lived in or near villages of dependent cultivators who supplied them with food and stood towards them in much the same relationship as serfs on a medieval manor to their lord. So many explanations are possible that the proper solution must always remain conjectural.

Most obscure of all the passages of Tacitus is that in which he describes the allotment of the land, for here textual corruption has added to the difficulty of discovering the writer's meaning.[1] The translation most in favour is, 'The lands are occupied by the collective townships according to the number of cultivators, and these they afterwards divide among themselves (i.e. the cultivators) according to their estimation; the amount of waste land available makes the division easy. The arable area is changed every year and there is abundance over.' If the alternative reading of the text is preferred, then the first sentence should run, 'The fields are alternately occupied by the whole body of cultivators according to their number, and this they afterwards divide among themselves

[1] The Latin text runs 'Agri pro numero cultorum ab universis vicis (or alternately, in or per vices) occupantur, quos mox inter se secundum dignationem partiuntur; facilitatem partiendi camporum spatia praestant. Arva per annos mutant, et superest ager.'—*Germania*, chap. xxvi.

according to their individual estimation.' Whatever version of the passage we accept, almost the only certain information we obtain is that the Germans practised an extensive system of husbandry, changing the arable land every year.[1] Beyond this it is hardly safe to venture. There is nothing in Tacitus to indicate that the Germans had a common system of cultivation, though in view of later developments, this seems extremely probable. Still less is there anything to support the view that the land was owned communally. The statement that the soil was divided unequally according to the social estimation of the tribesmen seems fatal to any such hypothesis.[2] In short, our information about the early English is mainly negative and avails little except to disprove certain extravagant theories constructed on insufficient evidence like the celebrated *mark* theory.[3] The traditional

[1] The searching analysis of the passage by Fustel de Coulanges is worth consulting. (See *Recherches sur Quelques Problèmes d'Histoire*, pp. 263–89.)

[2] In any case, there are grave difficulties connected with the popular belief (as expressed, for instance, in Henry George's *Progress and Poverty*, Book VII, chap. iv) that a period of communal land ownership everywhere preceded individual possession. For a discussion of this point, see Maitland, *Domesday Book and Beyond*, pp. 340–56, and an essay by Fustel de Coulanges in *Questions Historiques*, pp. 17–117 (translated by Margaret Ashley, under the title of *The Origin of Property in Land*, 1891).

[3] According to this theory, first enunciated by the German scholar, G. L. von Maurer, in his *Einleitung zur Geschichte der Mark-, Hof-, Dorf- und Stadt-verfassung* (1854), the early Germans lived in village communities called *marks*, which were characterized by common kinship, common cultivation and common ownership. This was a mere 'figment of the Teutonic brain', entirely unsupported by evidence; yet it obtained wide credence until, thirty years later, Fustel de Coulanges brilliantly demonstrated its utter inconclusiveness (in the essay referred to in the previous note, English translation, pp. 3–72). Even the term *mark*, as Coulanges showed, was incorrectly used by Maurer. It never had any connexion with a village community. Originally it meant a boundary or march. Then it was applied to the waste land separating one or more villages. Over the mark in this sense, a number of village communities or of individuals might enjoy common rights and might form for this purpose an association. But the 'mark community' (*markgenossenschaft*) was something quite distinct and different from the 'village community' (*dorfgenossenschaft*).

view that the English brought with them from Germany a free village community is probably true in the main, but must be held subject to certain important qualifications. If the village community was 'free', this does not mean, as is sometimes assumed, that it was an association of equals. Nor was the freedom of early English society incompatible in practice with a considerable degree of servitude on the part of depressed individuals and classes.

Social Consequences of the English Conquest.—The precise effect of the Anglo-Saxon invasions on the social development of England is one of the debated questions of history. Various hypotheses are possible. The older view favoured by Freeman [1] and Green [2] was that the English conquest was a ruthless one, that, in the east of the island at least, the native population was almost totally exterminated, and that a clean sweep was made of all vestiges of Romano-British civilization. On the conquered territory, swept bare of all previous social systems, the invaders planted the institutions they brought with them from Germany.[3] Certain undeniable facts tend to corroborate this theory. The English conquest extended over a prolonged period of at least a century and a half; the fighting was fierce and the conquerors merciless, as is illustrated by such incidents as the storming of Anderida (491), where, in the words of the chronicler, 'Aella and Cissa . . . slew all that were therein; nor was there afterwards one Briton left'; the Celtic language disappeared from England and, in the east of the island, Celtic place-names are comparatively rare. Yet, taken by themselves, these facts are not conclusive. Disappearance of language does not necessarily imply disappearance of race, as the history of Celtic Ireland decisively proves; the extermination of one people by another has scarcely ever occurred in history, and on a large scale is almost physically impossible; and experience shows that wherever a conquered race has survived in any numbers, it has generally ended by imposing its social

[1] *The Norman Conquest*, Vol. I, pp. 15–21.

[2] *History of the English People*, Vol. I, pp. 30–4.

[3] 'The settlement of the English in the conquered land was nothing less than an absolute transfer of English society in its completest form to the soil of Britain.'—Green, *op. cit.*, p. 33.

system on its conquerors, as happened in Gaul after the Frankish conquest. There is therefore a strong *prima-facie* case for the view that the English conquest marked no important break in social history, that the invaders simply took over the social system they found in the conquered territory, the victorious Anglo-Saxon warrior stepping into the place of the Romano-British landowner whom he had slain. Seebohm, in his *English Village Community* (1883), argued on these lines and maintained that the medieval manor, a village of serfs under a lord, was descended in direct unbroken line from the Roman villa. But this theory, though plausible, is not without its difficulties. Britain, as we have seen, was only partially romanized; the villa was not universal, and even if it were, we have it on high authority[1] that 'no case is known where Saxons dwelt in a Roman villa'; moreover, in the eleventh century, as revealed by the Domesday Inquest, England contained villages of freemen as well as of serfs, and even in the servile villages, there was much that seemed to point back to an earlier condition of freedom. These facts are difficult to account for on the supposition, implied in Seebohm's theory, that the condition of the English peasantry was one of servitude from the first. A third explanation is possible. The three streams of influence, Celtic, Roman and Nordic, may have blended—in unknown proportions, but with a decided preponderance of the Nordic strain. This is the view favoured by Vinogradoff [2] and Maitland.[3] A final and far from extravagant hypothesis is that the upheaval caused by the invasions destroyed all social systems, both those already established in England and those brought with them by the invaders, so that the construction of English society had to be commenced afresh. On this view, the conquest marks a definitely new starting-point in English social evolution.

These are the rival theories, and between them the present state of our knowledge does not enable us to decide. Nor is there much hope of further evidence which will enable us to reach a definite conclusion on this perplexing problem.

[1] Haverfield and Macdonald, *Roman Occupation of Britain*, p. 274.
[2] *Growth of the Manor*, pp. 117, 221.
[3] *Domesday Book and Beyond*, pp. 321, 351.

The origins of English social history are and will probably for ever remain shrouded in darkness.

Social Evolution in the Anglo-Saxon Period.—Once the starting-point is left behind, however, the obscurity which invests early English social evolution begins to clear away. Whatever theory we hold about origins, whether we assume that English social evolution commenced with the freedom or with the servitude of the bulk of the people, there is no dubiety about the goal which marks the end of the first stage. By the eleventh century, the great mass of the English nation had lost its liberty, and the prevailing type of rural organization was the servile village which we call the manor. The processes by which this broad result was produced can be clearly discerned. In the Anglo-Saxon period, there were forces at work ' capable of transmuting a village full of free landholders into a manor full of villeins '.[1] It must remain an open question whether the effect of these forces was to destroy a primitive free village community or merely to accentuate the autocratic nature of a landowning system with its roots in the Roman villa. But of the character of the forces themselves and of the general result of their influence on English society, there need be no uncertainty.

The centuries between the English and the Norman conquests form one of the most unsettled periods of our history. Scarcely had the invaders subdued the native Celtic population, than they fell to fighting with each other, and when the prolonged period of intertribal warfare was at last brought to an end, about 800, by the victory of Wessex, there followed the Danish invasions which continued with intervals till almost the eve of the Norman Conquest. During these stormy centuries, life became terribly insecure for the small freeman, who had often no resource except to surrender his independence to a wealthier and stronger neighbour in return for protection. In the phrase used, he ' commended ' himself to a powerful landowner and became his ' man '. At first this bond of dependence was purely personal. It did not involve the ' commended ' man's land. If he desired, he could commend himself to another lord and take his land with him. But this liberty of choice did not survive long.

[1] Maitland, *Domesday Book and Beyond*, p. 321.

In the later Anglo-Saxon period, a commended man was regarded as holding his land from his lord. The pressure of fiscal burdens was another cause tending to depress the freeman. The Danish wars involved heavy taxation, and the Danegeld, it has been said, was ' fully capable of transmuting a whole nation '.[1] To escape its crushing weight, many a freeman was compelled to place himself under a lord who made himself responsible for the payments due from his dependant's land. A similar result might often follow from some economic disaster like a failure of crops. Famine drove starving men to ' bow their heads for meat in the evil days '. And the Anglo-Saxon police system assisted the tendency. Originally every Englishman had been a member of a kindred group which was bound to produce him if demanded by justice. But now the tribal organization of English society was giving way to one based on the land, and the State was beginning to recognize the change. A law of Athelstan (tenth century) made it incumbent on every man to have a lord who should be answerable for him. Changes in methods of landowning worked in the same direction. The Church introduced the custom of granting lands by book or charter. Thus was created *bookland*, in opposition to *folkland*, which was held by the unwritten custom of the folk. What the king or other great person conveyed by these charters was not so much the ownership of the land itself, as the right to certain payments and services from it, which now became due to the holder of the charter. In other words, a *superiority* was created over the land, and the general result was to build up a hierarchy of landowners, with a tendency always to depress those at the bottom of the scale. Lastly, the requirements of military defence brought into existence a class of whole-time professional soldiers, the thegns, who were endowed with lands (5 hides was the usual size of a thegn's estate), in return for which they rendered military service and performed certain administrative duties. This last development in particular shows that English society was moving definitely out of the tribal into the territorial stage. The population was becoming sharply divided into three great classes of soldiers, churchmen and peasants, the soldiers and churchmen rendering

[1] Maitland, *op. cit.*, p. 8.

what might be described as public services, and the peasants providing the material necessities of life for the governing classes. In short, a native feudalism was growing up in England to which the Norman Conquest was merely to add the finishing touches.

The progress made by this feudalizing tendency can be observed in an interesting old English document of the early eleventh century called *The Rights and Duties of All Persons.*[1] It describes the organization of an English estate in the century prior to the Norman Conquest. At the head is the thegn, who must be ' worthy of his book-right ', and render military service for his land in addition to other miscellaneous duties. Below him is the *geneat*, a substantial tenant, who does occasional agricultural work, but is mainly engaged in riding and carrying services. Lower still is the *gebur*, who has a yardland (probably 30 acres), and is supplied by his lord with an outfit, consisting of two oxen, one cow, six sheep and seven acres of sown land. In return he performs arduous labour services, working several days a week on his lord's land and doing extra ploughing at special seasons. The *cotsetle* or cottar is of the same social status as the *gebur*, but his holding is smaller (only 5 acres) and he renders correspondingly lighter services. The picture here presented leaves us in no doubt as to the general trend of social evolution since the English conquest. Dependence and servitude have become the distinctive characteristics of the lower ranks of society.

Anglo-Saxon Agriculture.—In their original homes on the Continent, the English practised the one-field system of husbandry,[2] but in England they learned to adopt the three-field system. Seebohm saw in this a proof of Roman influence. If the English did not bring the three-field system with them, he argued, they must have learned it from the

[1] A Latin translation was made in the twelfth century under the title of *Rectitudines Singularum Personarum.* There is an English translation in Bland, Brown and Tawney, *Select Documents in English Economic History*, pp. 5–9.

[2] It is a rather curious fact that over great areas of northern Germany this system continued to be practised till the late nineteenth century. See the references to Hanssen's *Agrarhistorische Abhandlungen* in Seebohm's *English Village Community*, p. 372.

romanized Celts. In Germany, it was in the romanized districts only that the system prevailed.[1] But an equally probable hypothesis is that the English discovered it for themselves. The two-field and three-field systems are, after all, a perfectly natural development out of the one-field system. When, owing to the growth of population or other causes, fresh land is no longer available to replace the soil exhausted by continual cropping, then some *intensive* method of husbandry must be adopted, a method i.e. which will enable a given area of land to be kept continuously under cultivation. The first expedient that suggested itself was fallowing. The cultivated area was divided into parts (the two-field system), each of which was allowed to rest or lie fallow in alternate years. In this way, the land was given a chance to regain some of the fertility it had lost. The three-field system was an elaboration of this method. It was based on the discovery that different crops take different kinds of nourishment from the soil. If wheat and barley are grown alternately on a piece of ground, it does not lose its fertility so quickly as when either crop is grown continuously on it. Accordingly a three-shift rotation was worked out. The cultivated area was divided into three portions on each of which a crop of wheat was succeeded by a crop of oats or barley, followed by a year's fallowing. In any year, as the following table shows, there was one field growing wheat, another barley or oats, and a third lying fallow, while each field in turn went through this rotation in the space of three years.

	Field A.	Field B.	Field C.
First year.	Wheat.	Fallow.	Barley or oats.
Second year.	Barley or oats.	Wheat.	Fallow.
Third year.	Fallow.	Barley or oats.	Wheat.

Both the two-field and the three-field systems were extremely wasteful owing to the large proportion of land that had to be left untilled each year. But for nearly ten centuries no alternative system of intensive husbandry was discovered. It was only in the eighteenth century that the introduction of green crops and winter roots enabled the crude method of fallowing to be dispensed with.

[1] Seebohm, *op. cit.*, pp. 372–4.

The plough used by the Anglo-Saxons was almost certainly the big, heavy instrument drawn by six or eight oxen, which continued in use right through the Middle Ages. The deep furrows which it cut rendered criss-cross ploughing unnecessary and led to a change in the layout of the fields. In place of the small rectangles of the Celts, the Anglo-Saxon fields were divided into long narrow strips. The area of each strip was about an acre, the amount of land which an ordinary team could plough in a day or in a long forenoon, the oxen having to be turned out to pasture in the afternoon. This meaning of the term is illustrated by some of the Continental equivalents for acre, e.g. *morgen*, *tagewerk*, and *journal*. The strip was narrow, since cross-ploughing was no longer necessary, and long in order to reduce the number of turnings of the cumbrous plough team. The length was a furlong or furrowlong, which came to be fixed at 40 poles or perches (220 yards), probably the distance which the oxen could conveniently draw the plough without stopping to breathe. The breadth of the strip was four rods, roods, ' yards ', poles or perches, of $5\frac{1}{2}$ yards each. The rod here referred to is a measuring rod, but how it came to be fixed at $5\frac{1}{2}$ yards cannot now be determined. It may have had something to do with the length of the oxen-yoke.[1]

Each acre strip was ploughed lengthwise into ridges (*seliones*), generally four in number. This was done primarily for the purpose of drainage, but it also facilitated the division of the land among the cultivators. In order to ensure that each man had an equal share of good and bad land, the typical holding was composed of a number of strips scattered over the cultivated area. The *gebur*, as we saw, had a yardland. Maitland explains this term as follows.[2] The land ploughed by a team of eight oxen in a year was the hide of 120 acres. The average peasant with two oxen would have a quarter of this, or in other words, a quarter of each acre in the hide. When an acre was divided, the division was always made longitudinally for convenience of ploughing. Hence the term rod, ' yard ' or *virga*, though primarily a measure of length, or in this case of breadth, came to denote a certain area, namely, the quarter of an acre, and the terms yardland or

[1] Seebohm, *op. cit.*, pp. 19–20. [2] Maitland, *op. cit.*, p. 385.

virgate were applied to a typical holding made up of a certain number of these quarter acres, usually 120.

During the Anglo-Saxon period, there was a notable extension of the area under crops. The Celts had tended to cultivate the high grounds only. The English cleared and tilled the valleys. At the time of the Domesday Inquest, there were at least 5 million acres under the plough.[1] But this, even if we make no deduction for fields lying fallow, is less than half the arable area at present, so that the amount of waste land must have been considerable. The yield per acre was also of course very much less than it is to-day. Maitland has calculated that in Norman England as many as 7 acres were required on an average to support a single person.[2] With modern agricultural methods, 2½ acres would certainly be sufficient.[3]

Town Life.—Before they crossed the North Sea, the English were not a town-loving people. Like the rest of the Germans, they preferred a rural life and regarded walled cities as 'the defences of slavery and the graves of freedom'.[4] In England, they either destroyed the Roman towns or allowed them to tumble into ruin. Even London for a time vanishes from the pages of history. For nearly two centuries urban development in England came to a standstill.

The resumption of progress in this direction was due largely to the coming of the Danes. The Danish war lords had a keen sense of the value of towns as fortresses, and it was by federations of fortified towns that they succeeded in holding down the Danelaw. The federation of the five boroughs, Derby, Lincoln, Leicester, Stamford and Nottingham, is the best-known example. When the tide of victory turned and the English under Alfred and his successors were able to attempt the reconquest of the invaded territory, they followed a similar method. Central strongholds were erected in advantageous positions round which

[1] This is Seebohm's estimate, *op. cit.*, p. 103. Maitland puts it at 9 millions, *op. cit.*, p. 436.

[2] *Op. cit.*, p. 441.

[3] This is the result arrived at by Professor E. M. East of Harvard in *Mankind at the Crossroads* (1923), p. 69. Other authorities favour a lower figure.

[4] Tacitus, *Historia*, iv, 64.

towns gradually grew up. Thus by action and reaction, the Danish wars gave a notable impetus to the development of English town life. But their influence did not end here. The Danes were a nation of traders as well as of soldiers, and wherever they went they established centres of trade and industry. The growth of these commercial towns made relatively rapid progress during the tenth and eleventh centuries. By the eve of the Norman Conquest England had achieved a fair degree of urbanization, judged by the standards of the time. In Domesday Book, the existence of nearly fifty important boroughs is recorded.

The general question of how towns came into existence presents both the historian and the geographer with a number of interesting problems. Did towns grow naturally out of villages, or were they artificially created ? Did they spring up spontaneously in response to the demands of commerce, or were they due to the pressure of military and administrative needs ? Were they the result of economic and geographical forces only, or did the grant of legal and constitutional privileges play a decisive part in their development ? No completely satisfactory theory of municipal origins has yet been worked out.[1] We can indicate some of the factors that co-operated in the growth of towns, but the way in which they worked together and the degree of relative importance to be attached to each cannot be so readily determined.

Commerce is a main factor in promoting the rise of towns. Along trade routes, at points where topographical or other features indicate natural stopping places, towns are almost certain to be found. Examples of these ' wayside episodes ', as one geographer (Jullian) calls them, are fords and bridges over rivers ; the entrance to a valley, a forest region or a piece of difficult country ; the beginning of a steep gradient or the first halt after a mountainous descent ; the intersection of a number of important roads ; the highest point on a river to which ships can ascend ; or a port which is in one sense the terminus of a route.[2] Numerous instances of the influence of these geographical and topographical factors

[1] For a description and discussion of some partial theories, see Ashley, *Surveys, Historic and Economic*, pp. 167–212.

[2] Febvre, *A Geographical Introduction to History*, pp. 346–7.

can be found in the history of English towns. Oxford grew up at a ford over the Isis, Bristol at a bridge over the Avon, Cambridge at the junction of two important roads, London at the highest navigable point on the Thames. The sites of the old Roman towns offered advantages of situation, as well as a useful supply of building material from the heaps of ruins. But none of the modern towns with Roman names can boast a continuous history back to Roman times, except perhaps Exeter. With this doubtful exception, they were all reconstructed afresh during the Anglo-Saxon period. The need for security sufficiently explains the origin of those towns which grew up round castles and monasteries. The monastery could afford at least moral protection, and if it possessed some sacred relic, visited by pilgrims, this was an additional inducement for merchants to settle in the vicinity. The presence of a large floating population created wants to be supplied and provided excellent opportunities for trading and chaffering. Nearly all the great medieval fairs grew out of religious festivals or pilgrimages. Lastly, many towns, as we have already seen, were constructed expressly as fortresses. The duty of garrisoning and maintaining the fortified towns was laid on the neighbouring landowners, and this, it is suggested, explains the 'tenurial heterogeneity' that characterizes them.[1] A landowner, it is argued, would find it convenient to place a vassal in a house in the town, allowing him to occupy it on condition of discharging his superior's liabilities in connexion with the manning and repair of the fortress. Supporters of the 'garrison theory' go further and maintain that most towns were in their origin fortresses, and only afterwards became centres of trade and industry. But it is doubtful if this theory is valid for more than a very few English towns.[2] It is rare indeed when the origin of a town can be ascribed to any one single factor.

During the Anglo-Saxon period, the town was only slightly

[1] The fact that the burgesses held not from one but from many different lords.

[2] For the 'garrison theory', see Maitland, *op. cit.*, pp. 172–219, and Ashley, *op. cit.*, pp. 188–92; for objections, consult Lipson, *Economic History of England*, Vol. I, pp. 169–72; and Petit-Dutailly, *Studies Supplementary to Stubbs' Constitutional History*, Vol. I, pp. 81–2.

differentiated as regards local government from the villages and townships that surrounded it. In the beginning, indeed, we may assume that there was no differentiation whatever.[1] But by the eleventh century, such towns as existed had acquired some kind of special organization, though our knowledge of it is vague. The larger among them were probably organized as *hundreds*, the hundred being a subdivision of the shire, or 'the union of a number of townships for the purpose of judicial administration, peace and defence' (Stubbs). Many towns like London were actually formed through the fusion of a number of neighbouring townships. The borough court, with its presiding reeve, often a royal official, was the chief municipal institution of the period. The privileges enjoyed by the burgesses were not extensive. In some towns, they had the right to elect 'lawmen' who acted as assessors on the borough court; in others, the government allowed them to farm their own taxes. But in no case did they ever succeed in winning a civic constitution in the real sense of the term. Even London, the most advanced, was merely a bundle of semi-independent communities, with no bond of union except the existence of two common officials, a port-reeve and a bishop. Not only were these pre-Conquest towns primitive in organization and small in size (on a generous estimate they contained only a tenth of the population); they were also largely rural in character. Though the growth of towns is intimately bound up with the development of trade and industry, yet the early towns retained for long many of the characteristics of large villages. In particular they had common fields, to the cultivation of which the burgesses devoted a large share of their time and energy. Not until comparatively late in the Middle Ages did the commercial and industrial elements in town life finally prevail over the agrarian.

Industry and Commerce.—These two aspects of economic life continued to be definitely subordinate to agriculture throughout the Anglo-Saxon period. A slight advance in

[1] 'Evidently there is no fundamental difference in social composition between a village and the town of those times. London is a "wic" as much as the most insignificant "herdwik" on the Welsh border.' Vinogradoff, *op. cit.*, p. 148.

industrial skill can be traced to foreign influences. Benedict Biscop in the seventh century introduced alien workmen who taught the natives how to make window glass. The feminine arts of weaving and embroidering also made considerable progress. But beyond this, there is not much to record. Commerce received a certain impetus from the coming of the Danes, who opened up new trade routes by their daring voyages of exploration. Commercial relations were established between the western ports and Ireland and Iceland, while the ancient trade between England and the Mediterranean lands was revived and extended. But only a small proportion of this overseas trade was in the hands of native merchants. The bulk of it was carried on by aliens, by merchants from France or Flanders, or by ' the men of the Emperor ', a group of German traders which was the nucleus of the powerful organization later known as the Hanseatic League.

FURTHER READING.—Lipson, *Economic History of England*, Vol. I, chap. i ; Cunningham, *Growth of English Industry and Commerce*, Vol. I, pp. 28–133 ; Vinogradoff, *Growth of the Manor*, Book II, chaps. i–vi ; Maitland, *Domesday Book and Beyond*, pp. 172–356 ; Seebohm, *English Village Community*, chaps. iv, v, viii, ix, x, xi.

BOOK II

FROM THE ELEVENTH TO THE SIXTEENTH CENTURY

CHAPTER IV

FEUDALISM IN ITS ECONOMIC ASPECT

Character of Feudalism.—As a political system, feudalism may be regarded alternatively as a government of landowners or a government of soldiers. When the central monarchies of Europe became too weak to protect their subjects against the inroads of barbarians like the Northmen or the Hungarians, this duty was undertaken perforce by the powerful landowners in each district, who became practically sovereigns within their own domains. The political system of Europe underwent a radical change. Organized states like the Carolingian Empire broke up into loose federations. Particularism verging on anarchy took the place of centralized government. The predominantly military character of feudalism is easily accounted for in an age when defence was the most pressing need of society. Its close connexion with the land is explained by the stage of economic development which Europe had then reached. In an agrarian society the simplest way to provide for a governing class is to quarter it on the land. The feudal soldiery who governed Europe in the early Middle Ages were endowed with estates tilled for their benefit by servile or semi-servile peasants. Thus, in the person of the medieval baron, the three functions or capacities of military leader, political administrator and agricultural landlord were intimately blended, so that in practice it became difficult to distinguish between private property rights and rights of public sovereignty. Under feudalism, a landowner was a public functionary, simply because he was a landowner. A man's social status depended on his position on the land; conversely, land tenure determined political rights and duties.

In its economic aspect, feudalism was mainly a system of

landholding. The most characteristic feature of feudal tenure is the holding from a superior. 'Nulle terre sans seigneur' was a settled maxim of feudal jurisprudence. The peasant held his land of his lord, the lesser lord of some greater lord, the greater lord of the king, the king of God. Thus the feudal ladder stretched upwards indefinitely, and there was no limit to the number of rungs that might be inserted in it. Between each suzerain and vassal, there existed a contract; of protection on the one hand, of service on the other. The nature of the service varied with the vassal's social status. In the upper ranks it was mainly military; in the lower it consisted of food or money rents or agricultural services. Thus in its economic organization, feudalism reproduced the clear-cut social division between noble and peasant, and ensured that the governing classes should enjoy that economic superiority which is the foundation and the invariable concomitant of political power.

In England, the movement towards feudalism, which we have observed in progress during the Anglo-Saxon period, was systematized and completed under the Norman kings. But the Norman Conquest, while strengthening the feudal tendency in some directions, definitely weakened it in others. As has been said, it made England at once the most feudalized and the least feudalized of European countries. Least feudalized in the political sense, because the special circumstance of the Conquest gave the English monarchy a position of strength which enabled it to defeat the political pretensions of the feudal baronage. Most feudalized in the economic sense, because the Conquest subjected every foot of English soil to feudal tenure. In countries like France and Scotland where political feudalism struck deeper roots than in England, little oases of free or allodial land were always to be found amid the wilderness of feudal fiefs.[1] In England there were no such exceptions. Feudal tenure held universal sway, and English land law remained permeated with feudal conceptions, till the passing of the important group of Property Acts of 1926.

[1] Allodial is the opposite of feudal. It describes an estate held in absolute ownership without acknowledgment to any superior.

Feudal Tenures.—The leading English feudal tenures may be briefly described.

(*a*) Knight Service. The greater part of English land was held by this tenure.[1] A tenant by knight service was bound to supply his overlord with a fixed number of armed and mounted knights to serve at their own cost for forty days a year. In England, the monarchy was strong enough to enforce the rule that military service was due only to the king, so that no vassal could plead the command of his suzerain as an excuse for rebellion against his sovereign. The period of military service seems short to us, but it must be remembered that campaigns in the Middle Ages were confined mostly to the midsummer months, and that the king could always retain the feudal army for a longer period by paying the knights their expenses. The estate which furnished a single knight was called a knight's fee and was vaguely supposed to consist of land worth £20 a year. But there was no uniformity in the size or the value of knight's fees.

(*b*) Serjeanty was somewhat similar to the previous tenure, except that the tenant had to render some special act of service, such as carrying the king's banner in battle or acting as his constable or marshal. Sometimes the service demanded was trifling, and accordingly there arose a distinction between Grand and Petty Serjeanty.[2] The latter was not generally reckoned as a military tenure.

(*c*) Frankalmoin or Free Alms was definitely a non-military tenure, and the service, which consisted of prayers and masses for the spiritual welfare of the donor, could only be rendered by a churchman or an ecclesiastical community.

(*d*) Socage was also a non-military tenure, the return consisting of food or money rents or labour services. Most socage

[1] It should be remembered, however, that the same piece of land might be held by a series of landholders, each at a different level in the feudal hierarchy, and possessing it, possibly, by a different form of tenure.

[2] In one recorded case of Petty Serjeanty the tenant was bound to count the king's chessmen and put them in a box when he had finished his game. See Bland, Brown and Tawney, *Select Documents in Economic History*, p. 25.

tenants were freemen, but there were exceptions.[1] In course of time, we shall see socage swallowing up all the other free tenures.

(*e*) Finally there was villeinage, the base servile tenure by which most peasants held their lands. We shall discuss its characteristics in the next chapter.

In addition to the annual rents and services due from their holdings, feudal tenants were subject to certain casual burdens known as the feudal incidents.

(*a*) Aids. A feudal lord might demand an aid or tax from his tenants if he deemed it necessary. Magna Carta (1215) made the consent of the baronial council necessary for royal aids unless levied for three special purposes: (i) to ransom the king from captivity; (ii) to make his eldest son a knight; and (iii) to marry his eldest daughter. This provision was omitted from the Charter when it was reissued in 1216 and was not reinserted till the Confirmation of the Charters by Edward I in 1297. By statutes of the thirteenth and fourteenth centuries, the amount of an aid was fixed at 20 shillings for a knight's fee or for a socage estate worth £20 a year.

(*b*) Relief. Every heir before succeeding to his estate had to make a money payment to his immediate overlord. The amount was fixed by Magna Carta at 100 shillings for a knight's fee and £100 (later reduced to 100 marks) for a barony.[2]

(*c*) Primer Seisin. This was exclusively a royal right. The king on the death of one of his tenants, not only exacted a relief but took the land into his own possession for a year.

(*d*) Wardship. Where the heir was under age, the lord administered the estate during the minority. As he was under no obligation to give an account of his stewardship, he might apply the rents and profits to his own use without incurring any legal liability.

(*e*) Marriage. The lord had the right to choose a husband

[1] 'The boundary between freedom and subjection cuts through the province of socage.' Pollock and Maitland, *History of English Law*, Vol. I, p. 273.

[2] The term 'barony' was applied loosely to any large estate. Its size was never accurately defined.

for a female ward in his charge, which meant in practice that he might sell her to the highest bidder. This right was often extended to male wards as well.[1]

(*f*) Escheat. If a tenant died without heirs or if he was found guilty of felony, his lands reverted to his lord. In cases of treason, the king took the land and the immediate overlord got nothing. This was one reason why Parliament in the fourteenth century was at such pains to define accurately the crime of treason.

Later Developments in Feudal Land Law.—The main theme of interest in the later history of feudal land law is the long struggle waged over the claim of the sub-tenants to alienate their lands without the consent of their superiors. The great feudal magnates disliked alienation. It might give them a new vassal who was personally objectionable, or it might split up a fief into fragments, making it difficult to secure the services due from it. The legal profession, on the other hand, were strong supporters of unrestricted alienation, and by their ingenuity in devising legal fictions, they were able to thwart at every turn the efforts of the magnates to reduce the liberty of their tenants. The first round in the contest was fought over the question of conditional grants. The highest kind of ownership known to English law is an estate in fee simple where the land is granted to a man, his heirs and assigns. A grant of this wide description might be held, though the magnates contested this, to carry with it the right of alienation. But a conditional grant was in a different position. If the land were granted to a man and a limited class of heirs, say the heirs male of his body (what was called an estate in fee simple conditional), then it might be argued that the tenant was merely a life-renter and must pass on the estate undiminished to his heirs. The lawyers easily found a way out of this difficulty. They held that once a tenant had an heir of the kind specified, say a male heir, then the conditions of the

[1] Wardship and marriage did not apply to non-military tenures like socage. In the case of socage land, the guardian of a minor was the nearest relative who could not inherit, and the office was definitely a trusteeship. When the heir came of age, he could sue his guardian for abuse of trust.

grant were fulfilled and the estate became in effect one in fee simple.

The magnates replied to this move by a statute, *De Donis Conditionalibus* (1285), which enforced the strict observance of conditional grants and created a new form of ownership, the estate in fee tail or the entail.[1] About the same time they secured an additional restriction on freedom of alienation by the statute of Mortmain (1279), which made the consent of the king and the immediate overlord necessary where land was granted to religious corporations.[2] These two statutes were victories for the great landowners. The next important land law, the statute *Quia Emptores* (1290), was in the nature of a compromise. It settled one disputed question by conferring on tenants *in fee simple* complete liberty of alienation. But as a concession to the magnates, such alienation must take place by 'substitution' and not by 'subinfeudation'. Thus if A held land of B, he might alienate all or part of his land to X; but X in that case became B's vassal, not A's. This prohibition of subinfeudation had most unexpected consequences. It entirely transformed the feudal structure, knocking the rungs out of the feudal ladder and gradually reducing all landowners to one dead level of equality under the Crown. An incidental result of the change was to make the king the only landowner with any substantial interest in the collection of the feudal incidents. A special Court of Wards was established in 1540 to look after this branch of the royal revenue. It continued to function till the feudal incidents were abolished at the Restoration.

Meanwhile the lawyers were hard at work loosening the fetters which still bound the holders of conditional grants. The prescriptions of the statute *De Donis* were circumvented by collusive actions known as fines and recoveries [3] and by the expedient of trusts. The last-named device proved a

[1] From Fr. *tailler*, to cut. The fee tail was *cut down* from the complete liberty of the fee simple.

[2] In 1392, this restriction was extended to lay corporations, and is still law. No corporation to-day can hold land without licence from the Crown or Parliament.

[3] For the legal technicalities of these processes, see Holdsworth, *History of English Law*, Vol. III, pp. 118–20. They became common in the fifteenth century.

flexible instrument capable of many uses. A man who entrusted his property to a third party for the benefit of his heirs or other persons in whom he was interested secured many advantages. He could alienate his lands, even though bound by a conditional grant; he could save his property from confiscation in the event of his conviction for treason (a very real danger in the troubled period of the Wars of the Roses); and he could devise his estate by will. Testamentary disposition had been allowed since an early date in regard to moveables, but not, since the twelfth century, in regard to land. The courts insisted that the heir should succeed to the whole landed estate, and under feudal law, the sole heir was the eldest son.[1] But the device of trusts provided a method by which this rule could be evaded.

Henry VIII made a belated attempt to check the steady movement towards liberty by the Statute of Uses (1535), which rendered illegal the employment of trusts to circumvent the law. The tendency was too strong to be overcome and the lawyers were able to defeat the statute by fresh legal fictions.[2] The attempt to limit freedom of bequest was so unpopular that the government had to concede a Statute of Wills in 1540 which allowed landowners to dispose of all their socage lands by testamentary gift, and extended the same privilege to two-thirds of the lands they held by knight service.[3]

Thus down to the sixteenth century, the struggle waged in favour of free trade in land had been uniformly successful.

[1] Where daughters only survived, the estate was divided equally between them. Some exceptions to the feudal law of primogeniture were to be found in different parts of England. In Kent, equal division among the sons was the rule (gavelkind), and elsewhere the youngest son sometimes succeeded in preference to his brothers (borough English).

[2] With more doubtful wisdom, the lawyers also brought to nothing a very sensible plan of the king's (embodied in the Statute of Enrolments of 1535) for a public registration of land titles. 'Thus was the secrecy of modern English conveyancing established.' Pollock, *The Land Laws*, p. 102.

[3] At the Restoration, military tenures were abolished and all lands became devisable by will.

In the next century we shall see the tide turning in the opposite direction.

FURTHER READING.—Davis, *Medieval Europe*, chap. iv; *Cambridge Medieval History*, Vol. III, chap. xviii; F. M. Stenton, *English Feudalism*, 1066–1166; Pollock, *The Land Laws*; Pollock and Maitland, *History of English Law*, Vol. I, Book II, chap. i; Holdsworth, *Historical Introduction to the Land Law*, chaps. i–ii; Bland, Brown and Tawney, *Select Documents in English Economic History*, Pt. I, sec. ii.

CHAPTER V

THE MEDIEVAL MANOR

The Village Community.—The economic core of feudal society was the peasants' village community, an institution, indeed, which was older than feudalism and, in most countries, survived its downfall. In England, the name generally applied to it was the manor. This term requires some explanation. In its origin simply a name for a house, the word came to be used in a number of different senses. In its economic sense, it meant an agricultural estate, tilled by servile labour for the benefit of a lord. But it might also mean a unit of taxation or an administrative or judicial centre for a number of scattered settlements. Thus Maitland defined the manor, somewhat misleadingly, as 'a house against which geld is charged'.[1] Another source of ambiguity is the contemporary custom of applying the term indiscriminately to very different kinds of villages. Broadly, there were three distinct types of village organization in England. Throughout the northern and southern midlands (see map, p. 49) there prevailed a 'nucleated' village which is generally presumed to be mainly of Teutonic origin. The west of England was a land of scattered hamlets, where the blending of Celtic and Teutonic influences was clearly visible. And in south-east England, there was a type or types of village community which showed indubitable traces of Roman influence. The account that follows will deal mainly with the most important of these three types, the *midland village*, considered chiefly in its economic aspect.[2]

[1] *Domesday Book and Beyond*, p. 120. Vinogradoff gives a description of five different types of manors in *English Society in the Eleventh Century*, pp. 311–38.

[2] For an account of the other types of village, see H. L. Gray, *English Field Systems*, chaps. v–ix.

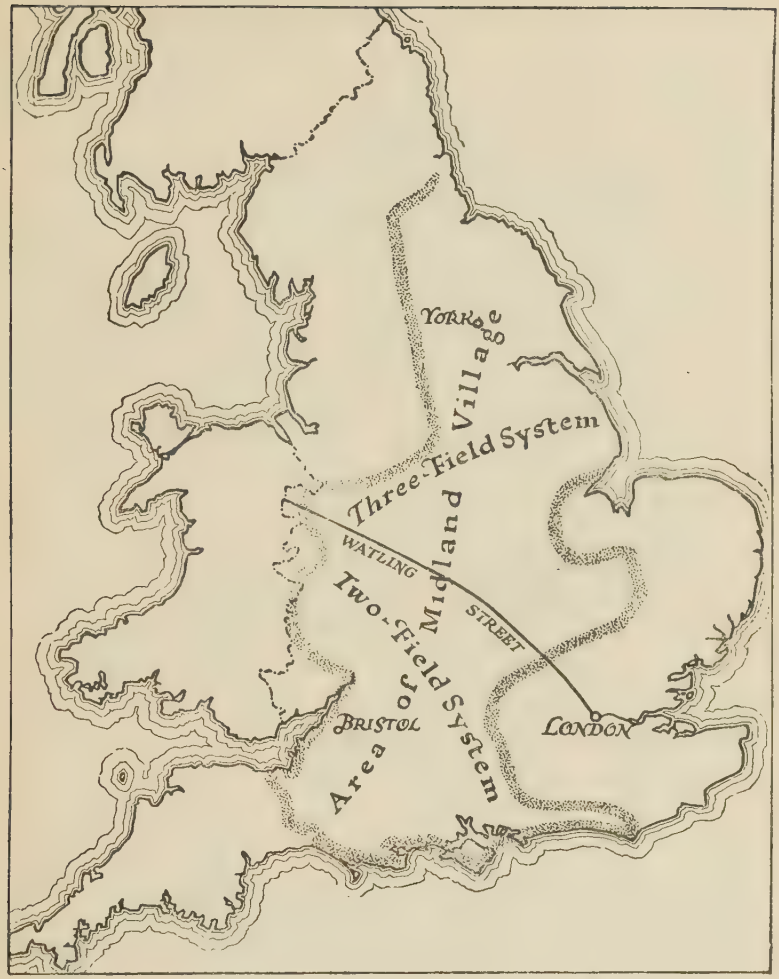
The external appearance of a midland village of this kind will be easily apprehended from the accompanying map (p. 51). It was, as stated, a nucleated or compact village, the farm steadings (called tofts) standing side by side in the village street as they do in many French and German villages to this day. The system of scattered farmhouses with which we are familiar did not develop till many centuries later. Outside and round the village stretched the cultivated fields; beyond them lay the waste and pasture land, and beyond that again the woodland which separated the village from its neighbours. Near the banks of the stream on which nearly every village was built would be found a small patch of meadow land.

Agriculture on the Manor.—According to the agricultural system pursued, the cultivated land of the village was divided into two or three large fields of several hundred acres each. The superiority of the three-field system to its rival was so obvious that it might have been expected everywhere to displace it. But this was far from being the case. In the eleventh century, it is probable that the two-field system was almost universal in England. During the next two centuries a transition to the three-field system took place in certain districts, but in others the two-field system maintained itself tenaciously down to the eighteenth century. In the midland area which we are considering, the line of Watling Street forms an approximate boundary between two contrasted agricultural regions. North of it the three-field system preponderated; south of it, the two-field.[1] Generally speaking, the two-field system was confined to the barren uplands; the three-field system prevailed in the fertile valleys.

The chief crops raised on the manor were wheat, rye, oats, barley, beans, peas and vetches. The yields were not large. The amount of wheat, rye, beans and peas sown was generally 2 bushels to the acre; of oats and barley, 4 bushels. For wheat, the return was never more than 10 bushels per acre; for oats and barley, 12–16 bushels; for leguminous crops, 6–12 bushels.[2] One reason for the low yields was the pressure

[1] Gray, *op. cit.*, p. 70.

[2] Ernle (Prothero), *English Farming, Past and Present*, p. 10. See also Sir W. Beveridge, 'The Yield and Price of Corn in the Middle



AREA OF MIDLAND VILLAGE, WITH REGIONS WHERE TWO-FIELD AND THREE-FIELD SYSTEMS PREDOMINATED

of population, which brought much land under the plough that was really better suited for grazing. The animals reared were mainly oxen, sheep and pigs. Oxen were considered superior to horses for drawing the heavy medieval plough. They pulled slowly and steadily, whereas horses started with a jerk which put a considerable strain on the primitive harness of the time. Oxen were also more economical. When a horse died, you had only its skin. When an ox died, you had its flesh as well. The oxen were pastured on the waste land, on the fallow field, and on the cultivated fields after the crops were gathered in. The hay raised on the meadow land was also available for them.[1] The art of fattening animals for food was not known till long after this, and the medieval cow, sheep and pig were lean, scraggy beasts with much greater powers of running and jumping than the modern breeds. Cattle were valued chiefly for their milk or for draught purposes; sheep for their wool. Pigs were the most economical of all, as they found their food for themselves in the woodlands, and thus bacon was the only flesh meat eaten regularly by the lower classes during the Middle Ages. The great obstacle to efficient stock breeding on the manor was the difficulty of keeping the animals alive during the winter. The only winter fodder available was the hay that had been raised during the summer, and as this was never sufficient, a wholesale slaughter of surplus beasts had to be carried out annually about Martinmas. The flesh of the slaughtered animals was preserved in the brine tub, and slowly consumed during the winter. Salt was an expensive article, and one of the causes of the leprosy which was so common in Europe during the Middle Ages was the eating of meat which had been insufficiently salted and had begun to decay.

Division of the Land.—As will be observed from the plan

Ages', in *Economic Journal* (Economic History Supplement), May 1927. For comparison, the average yield of crops in England (1923–32), is given: wheat, 31·4 bushels; barley, 32·7 bushels; oats, 42·9 bushels (per acre).

[1] The hay was cut about Lammas and hence the meadow lands were usually termed Lammas lands. The ballad of Otterbourne begins,

> It fell about the Lammas tide
> When the muir-men win their hay.

PLAN OF A MEDIEVAL MANOR

(p. 51), the cultivated fields were subdivided into a large number of rectangular acre or half-acre strips. These strips were divided from each other, not by hedges but by little mounds or *balks* of unploughed earth.[1] The only hedges in use on the manor were the temporary hurdles placed round the meadow land and the cultivated fields while the crops were growing, to be removed after the harvest in order that the cattle might graze on the stubble. Hence the expression, *the open-field system*. The acre strips were grouped together in bunches of ten or twelve, known as *shots*, with a *headland* running along one side of them on which the plough team could be turned. Strips cut short by meeting some obstacle like a road or a boundary were called *butts*, and irregularly shaped corners of land that could not be laid off properly in strips were known as *gores*.

The holding of each cultivator consisted of a bundle of acre strips, normally about 30, not grouped together to form a compact block of land but scattered throughout the three fields. The primary motive for this most inconvenient system was the desire for equality, but it fitted in well with the co-operative system of cultivation pursued on the manor. The ordinary cultivator had to combine with his fellows to make up a complete plough team of 6 or 8 oxen, and the scattered strips facilitated this method of joint ploughing. At one time it is probable that periodical redivisions and redistributions of land took place on the manor, as was done on the Russian *mir* until quite recently, but no historical evidence of such a custom has survived in England, in regard to arable land at least. In regard to meadow land, however, it was a regular practice. Every year there was a redivision and reallotment of shares. In addition to his portion of the arable and meadow land, each cultivator had the right to graze his cattle over the waste, the fallows and the cultivated fields after the crops had been reaped, and he could cut timber in the woodland for fuel or for building purposes.

The lord's share of the land was made up in the same way as the peasant's, of scattered strips, only in his case these amounted to about a third or a half of the whole cultivated area. The lord's part was known as the *desmesne* or domain, in contrast to the tenants' shares which were

[1] The existence of these balks has been questioned by C. S. Orwin in *The Open Fields*, pp. 43–8.

called the land in villeinage or the customary land. The desmesne was tilled by the labour services of the tenants. The lord had also grazing rights over the waste, and here his powers were very extensive. He could bring waste land under the plough or cut up portions of it into fresh holdings. The only legal restriction was the provision in the Statute of Merton (1235) which obliged him to leave sufficient pasture for his *free* tenants.

Tenants on the Manor.—According to the Domesday Survey (1086), English society in the eleventh century fell broadly into the following classes : [1]

	Total	Percentage
Lords of manors . . .	9,271	3·5
Free tenants	35,513	12·0
Villeins	108,456	38·0
Cottars	88,952	31·5
Slaves	26,362	9·0
Burgesses	7,968	3·25
Miscellaneous	5,296	1·75
	281,818 [2]	

The most important rural class were the *villeins*. They formed the backbone of the manorial organization, because on them the lord relied for the cultivation of his desmesne. Normally the villein had a virgate of 30 acres and supplied 2 oxen to the common plough. But division into semi-virgates and other fractions was also fairly common. In return for his holding, the villein made various small payments in kind : hens at Christmas, eggs at Easter, grain at Martinmas ; and in money, multures for the use of the lord's mill, fishsilver for permission to take fish in his pond, woodsilver for the privilege of gathering timber in his woods. But the villein's main liability was the obligation to work for his lord. Labour services were of two kinds : (*a*) week-work : all the year round, the villein had to work for 2 or 3 days a week on his lord's land ; (*b*) boon-work : at specially busy seasons like seedtime and harvest, he had to give extra days' service.

[1] Ballard, *The Domesday Inquest*, p. 264.

[2] The total population at the time of Domesday was something like 1¾ millions.

The *cottars*, also called *bordars*, ranked next in point of numbers to the villeins and occupied very much the same economic position, but their holdings were smaller (only a few acres) and their services correspondingly less. Generally they worked only one day a week, and as they seldom had cattle of their own, they were not called on to perform ploughing services. The *slave class* recorded in Domesday died out very rapidly after the Conquest, its members being promoted to the rank of cottars. The motives for this change were probably as much economic as humanitarian, serf labour being more efficient than the labour of slaves and costing less in superintendence.[1]

The class of *free tenants* or *socagers* occupied a somewhat anomalous position on the manor. Their numbers were small; some manors had only a few, others none at all. They were most numerous in the ancient Danelaw, which supports the surmise that they were mainly descendants of the companions of Danish war lords, who were settled on the conquered territory and given a privileged position in return for their services. The free tenants had scattered holdings like the villeins, for which they rendered money payments and boon-work, but not week-work. In other respects they had to conform to the general arrangements of the manor. The distinction between them and the villeins was legal rather than economic, the important difference being that the free tenant enjoyed security of tenure. If his lord ejected him from his holding, he could appeal for protection to the royal courts of justice. The villein had no such resource. He was a mere tenant at will. Against his lord he was, with certain exceptions to be noted later, legally defenceless.[2]

The other disabilities of villeinage can be briefly enumerated. The villein paid a *heriot*, usually the best animal on the holding, when he succeeded his father; (for the lord's

[1] For a discussion of the attitude of the medieval Church to slavery and serfdom, see Coulton, *The Medieval Village*, chaps. xiii–xiv.

[2] Villeins on the Ancient Desmesne, that is, on land which had been in the king's hands at the Norman Conquest but had since passed to private possessors, could however claim the protection of the royal courts.

convenience, the rule of undivided succession was generally enforced). He paid a fine whenever he sold an ox or a horse ; this, according to legal theory, was a recognition that everything he possessed was really the property of his lord. He could not leave the manor, and if he took to flight could be recaptured and brought back ; this debarred the son of a villein from entering the Church or apprenticing himself to an urban craft without his lord's consent. Where the villein received permission to reside outside his manor, an annual payment known as *chevage* was often exacted. The villein paid a fine on the marriage of his daughter and sometimes of his son also ; this was called *merchet* and was regarded as a particularly degrading form of blood tax.

These were all unmistakable marks of the villein's servile condition. Still, his status was definitely higher than that of a slave. He enjoyed certain of the privileges of a freeman. Though without legal defence against his lord, the courts would protect him against every one else, even against a freeman, and against his lord they would protect him from injury to life and limb. He had also the rights of a citizen. The State imposed on him public duties. He paid taxes, sat on juries, and served in the national militia. Custom, moreover, tempered considerably the harshness of legal theory and restored to the serf many of the rights of which the law seemed to deprive him. Notwithstanding the legal rule to the contrary, he was allowed to accumulate private property, which he might even use to buy his freedom, while his liability to be summarily expelled from his holding did not amount to much at a time when land was plentiful and labour relatively scarce. Most lords were more anxious to keep their tenants than to get rid of them.

These were alleviations to the villein's lot, yet it cannot be denied that his life was a hard one. His dress was of the roughest, his fare of the coarsest and scantiest, while his miserable habitation was a little two-roomed cabin which he was often obliged to share with the animals on his steading.[1] The fruits of his strenuous toil in the fields went, all save a

[1] A plan of a medieval serf's cottage is given in Coulton, *op. cit.*, p. 99. A description (with illustrations) of the manor house will be found in Hone, *The Manor and Manorial Records*, chap. iii.

bare pittance, to maintain his lord in what must have seemed to him luxurious living. As the old French rhyme put it,

> Chevalier et clerc, sans faille,
> Vivent de ce qui travaille.[1]

The medieval peasant must often have had the bitter sensation of being exploited. Only his belief in a future life where oppressors would meet with the reward of their deeds kept him from giving way to utter despair. He would have burst, to use Michelet's expressive phrase, but for his belief in the devil.[2]

The Administration of the Manor.—For the management of his estate, the lord relied on a number of officials: the *steward* or *seneschal*, who represented him in his absence; the *bailiff*, who superintended the farming operations on the land; and the *reeve*, himself a villein, who was responsible for the due performance of the services of his fellow-villeins. The administrative centre of the manor was the manorial court. According to legal theory, there were three different courts on the manor: (*a*) the *court leet*, a special criminal court, permission to hold which was only sparingly granted by the Crown; (*b*) the *court baron*, attended by the free tenants, who acted as judges with the lord as president; and (*c*) the *customary court*, attended by the villeins over whom the lord presided as sole judge. But it is likely that in most cases only one court was held, attended by free tenants and villeins alike. The manorial court met three or four times a year and transacted a vast amount of miscellaneous business, settling the course of husbandry, choosing officials, imposing fines on villeins for small offences, admitting new tenants and recording their services.[3] It also acted as the local centre for justice and police and for the administration of much national legislation. But for these purposes, we are assured, 'the government did not recognize as the direct local unit the manor but the *vill*, the village community or *town*, as the old English term went', which was an older institution than the manor.[4]

[1] 'Knight and parson always live off the labouring man.'
[2] Michelet, *La Sorcière* (Eng. trans., 1863), p. 64.
[3] For examples, see Hone, *op. cit.*, Pt. II.
[4] Vinogradoff, in *Cambridge Medieval History*, Vol. III, p. 482.

Some General Features of the Manor.—(*a*) The primary function of the manor was to provide the lord with an income in return for the public services he was supposed to render to the community. This income was paid mainly in kind. The lord lived on the manor and consumed its surplus produce. If he had several manors (some of the great Norman barons had hundreds), he spent his time travelling round them. In accordance with the reports sent in by his stewards after each harvest, he fixed the term of his stay at each place and thus planned out a regular itinerary for the year. This is one reason why kings and great persons in the Middle Ages were always on the move. In the case of ecclesiastical landlords, this ambulatory method of consuming their incomes was not practicable, and in their case the surplus food was sent to a common centre, usually to the abbey or cathedral which owned the manors. The canons of St. Paul's, London, for example, had several manors in Essex, each of which was bound to supply a certain number of *firmae*, the *firma* being food for the chapter for one week, consisting of 16 quarters of wheat, 16 quarters of oats and 3 quarters of barley. The grain was transformed into bread and beer at the Cathedral bakehouse and brewhouse, and each canon received as his weekly allowance 21 loaves and 30 gallons of beer.[1]

(*b*) The manor was practically a self-sufficing unit, its inhabitants supplying nearly all their wants by their own labour. They baked their own bread, brewed their own beer, wove their wool into cloth, tanned skins into leather, and manufactured with their own hands the rough clothes and shoes that they wore. Such a community had very little need of money or currency. Exchange transactions were few and those that took place were mainly in the form of barter. The manor is therefore an example of what is termed a *natural economy* as opposed to a *money* or *credit economy*. Trading relations with the outside world were very few. The lord

[1] The quantity of beer seems excessive, but, apart from the fact that each canon had a servant, who shared his allowance, it must be remembered that bread and beer constituted the staple diet of Englishmen in the Middle Ages, and the consumption of them was therefore greater than it is to-day.

bought luxuries like wines, silks, spices and armour, and paid for them with grain, wool and skins. Only a few articles of necessity were imported for the benefit of the whole community, such as salt for preserving meat, iron for making agricultural implements, tar as a preventative of sheep-scab, and millstones which were often brought long distances, the best kind coming from the neighbourhood of Paris.

(*c*) Finally, the manor exhibited a considerable degree of uniformity in its arrangements. Holdings were equal or fell into groups of equal size, virgates, semi-virgates, &c.; services and rents were similar; one single course of husbandry was imposed on all; the same round of agricultural operations was gone through year after year. A natural economy governed by custom shows very little flexibility or variety in its economic relationships. In the next chapter we shall observe forces at work which were gradually relaxing the extreme rigidity of the manorial structure.

Further Reading.—Lipson, *Economic History*, Vol. I, chap. ii; Ashley, *Economic History*, Pt. I, chap. i; Seebohm, *English Village Community*, chaps. ii and iii; Vinogradoff, *Growth of the Manor*, Book III; *English Society in the Eleventh Century*, Pt. II; *Villainage in England*; H. L. Gray, *English Field Systems*; Hone, *The Manor and Manorial Records*; Ballard, *The Domesday Inquest*; Ernle (Prothero), *English Farming, Past and Present*, chap. i; Gras, *History of Agriculture*, chap. iv; Coulton, *The Medieval Village*; Bland, Brown and Tawney, *Select Documents*, Pt. I, sec. iv.

CHAPTER VI

THE DECAY OF VILLEINAGE

Changes on the Manor.—In the previous chapter we regarded the manor as a static, unchanging institution, a procedure which is necessary for the purpose of clear description. Now we must shift our standpoint and examine some of the forces that were transforming the manorial structure in the centuries following the Norman Conquest. The first change we have to note was the extension of the arable area, a consequence of the growth of population. Between the eleventh and the fourteenth centuries the population of England increased from $1\frac{3}{4}$ to $2\frac{1}{2}$ millions.[1] To provide food for these additional mouths, the area of the waste had to be greatly contracted. Allotments were carved out of it for the younger sons of villeins for whom no place could be found on the patrimonial holding. Significantly, the system of scattered strips was never adopted on land reclaimed from the waste, showing that even at this time the technical defects of the open-field system were clearly recognized. Hand in hand with the extension of the cultivated area went an increase in the output of cereal crops, an increase which was both absolute and relative. On a certain group of Winchester manors, the yield of wheat per acre increased 150 per cent. between 1200 and 1300.[2] The capacity of agriculture to produce a surplus supply of food was responsible for further economic developments. It stimulated

[1] This is a conservative estimate. Some authorities put the English population in the early fourteenth century as high as 4 or 5 millions. For a summary of the controversy between Seebohm and Thorold Rogers on this point, see Cunningham, *English Industry and Commerce*, Vol. I, p. 331, n.

[2] See Gras, *Evolution of the English Corn Market*, p. 16.

specialization and promoted the rise of groups of traders and artisans who did not live on the land but obtained the food and raw materials they required by selling manufactured goods to the peasants. Thus there developed that trade between town and country, the significance of which was first explained by Adam Smith in a well-known chapter.[1] From the twelfth century at least, the sale of surplus corn from manors to neighbouring towns became a fairly regular thing. A large part of this trade was naturally in the hands of the lord. He had more grain to dispose of and greater intelligence and capacity for the conduct of commercial transactions. But the villein had a share in it as well. Custom had crystallized his rents and dues into fixed amounts, and when the soil, through greater fertility or the use of better methods, yielded a richer increase, the increment remained with the peasant. He sold this surplus and used the resources thus acquired to improve his social and economic condition.

This growing trade between town and country was largely carried on by means of money. From a very early period,[2] England had had some kind of currency which could be employed for exceptional transactions like the payment of taxes. It was naturally used to facilitate these exchanges between townsman and peasant. The overwhelmingly natural economy of the manor gave way in part to a money economy, a most revolutionary change. Money, as a social influence, has always the effect of a solvent. It introduces variety and flexibility in place of rigidity and uniformity. Payment in kind allows the consumer no choice as to what he will consume. Payment in money allows him to indulge his various tastes, and forces producers to compete with each other in order to attract and capture his patronage. Competition and freedom of contract in this way take the place of custom and status as the foundations of society. The beginnings of this change are visible in the history of the manor during the thirteenth and fourteenth centuries.

The most significant consequence of the transition to a

[1] *Wealth of Nations*, Book III, chap. iv, on 'How the Commerce of the Towns contributed to the Improvement of the Country'.

[2] See chap. xi.

money economy was the movement to substitute cash payments for labour services. The peasant with a store of money accumulated from the sale of his surplus corn profited by it to rid himself of the tiresome obligation of working several days a week on his lord's land. The lord used the money he received in lieu of service to hire labourers with which to cultivate his desmesne. With the growth of population, the labouring class, consisting of cottars and escaped or emancipated villeins, had become fairly large, and the work of these hired wage-earners was performed more cheerfully and efficiently than the forced labour of the villeins. The lord therefore lost nothing by the transaction. Indeed, he seems generally to have taken the initiative in the movement, sometimes in opposition to the wishes of his tenants, who were not always convinced that the change would be for their benefit. But in most cases the bargain was struck by mutual consent.

The extent to which this commutation movement had transformed the manor by the thirteenth century was grossly exaggerated by Thorold Rogers.[1] It has been clearly established [2] that commutation, though it had begun, had not proceeded far before the Black Death. On only a very few manors were all the labour services commuted by 1350. Dr. Page obtains the following results from a survey of 81 manors spread over 20 counties.

(*a*) On 15 manors, all or practically all the labour services were commuted.

(*b*) On 22 manors, half the labour services were commuted.

(*c*) On 44 manors, practically no labour services were commuted.[3]

This effectively disposes of the legend that commutation had become universal throughout England by the early fourteenth century. The movement, in truth, proceeded irregularly and in piecemeal fashion. Lords would commute services one year and not the next, or they would commute certain services and not others; and even where commutation took place regularly, the lords very seldom

[1] *History of Agriculture and Prices*, Vol. I, p. 81.

[2] By T. W. Page, *The End of Villainage in England.*

[3] Page, *op. cit.*, p. 44.

divested themselves of their legal right to redemand services instead of money if it suited them.[1] Nevertheless, while these important reservations must be made, it remains true that a commutation movement was definitely in progress in England, and there is no reason to doubt that, if allowed to continue without interruption, it would have produced similar results to the parallel movement on the Continent, turning the villein into a kind of hereditary copyholder and rooting him firmly to the soil. In France and Germany, the average peasant became the quasi-owner of his holding, enjoying all the essential rights of property, subject to the payment of an annual quit-rent to his former lord. In England, agrarian evolution took a different course. A succession of shocks separated the peasant from the soil and turned him into a landless labourer. In this respect, England's agrarian organization is unique. Almost alone among European countries, she has no peasantry in the proper sense of the word. She has merely a rural proletariat.

The Black Death.—The beginnings of this peculiarly English development can be traced back to the great pestilence which ravaged Englandin 1348–9 and carried off between a third and a half of the population.[2] The immediate effects of so terrible a calamity can easily be imagined. The crops rotted in the fields for want of hands to gather them in ; food prices rose to famine heights ; the cultivated area suffered a sharp contraction. These temporary consequences are not in dispute. It is the permanent results of the Black Death that have become the subject of controversy. In the view of Thorold Rogers,[3] the Plague set in motion a train of consequences which transformed the face of rural England ; Seebohm also spoke of it as ' that great watershed in economic history '.[4] Modern opinion tends to regard these views as exaggerated. The prevailing disposition amongst historians

[1] In a few cases, lords granted their villeins charters, freeing them in perpetuity from labour services. Such privileged villeins were known as *molmen*. See Vinogradoff, *Villainage in England*, pp. 183–6.

[2] For details, see Creighton, *History of Epidemics in Britain* ; and Gasquet, *The Black Death*.

[3] *Op. cit.*, Vol. I, pp. 81–3.

[4] *English Village Community*, p. 20.

now is to consider the Black Death as merely accelerating tendencies already in progress. Yet it can hardly be denied that the direction as well as the pace of social change was altered in the fourteenth century, and it is difficult to explain this circumstance on any hypothesis which treats the Black Death as a mere episode. Despite all attempts to minimize its importance, there is still reason to regard this great event as 'one of the chief turning-points in English economic history'.[1]

The agrarian developments of the later fourteenth century will best be understood if we consider the position of a lord of a manor on the morrow of the Black Death. His situation was one of considerable difficulty. On the one hand, he found his desmesne greatly enlarged through the death of tenants without heirs. Whole families, whole villages had been swept away by the plague. But this enlarged desmesne was very difficult to cultivate. The lord could find no tenants to replace those who had died, and if he tried to hire labourers for the purpose, he found that their ranks were thinned also, and that the survivors were taking advantage of their scarcity value to demand higher wages. If the lord had commuted the labour services of his tenants, the money he received would no longer purchase the same amount of hired labour. There were here all the elements of a very embarrassing problem.

The lords attacked it from two sides. On the one hand, they tried to keep down the wages of the labourers. A royal ordinance of 1349, transformed into a statute in 1351, ordered all wage-earners in town and country to work for the

[1] Page, *op. cit.*, p. 48. An extremely sceptical view of the influence of the Black Death is expressed by Miss Levett in *The Black Death on the Estates of the See of Winchester* (Oxford Studies in Social and Legal History, Vol. V). She concludes that the plague produced no revolution in agriculture or in tenure on the Winchester estates. Her attempts, however, to find an alternative explanation of the social changes of the fourteenth century (pp. 154–9) are not conspicuously successful. On the other hand, it is admittedly difficult to understand why the Black Death produced decisive economic results only in England. In other countries which it visited, such as France and Scotland, no important social developments can be traced to its influence.

rates prevailing before the Black Death. This Statute of Labourers, as it was called, marks an important departure in State economic control. For the first time, an attempt was made to regulate wages nationally and not merely locally. On the face of it, the law bears all the marks of class legislation. But in defence of the lords it must be said that the action of the labourers, according to medieval and even according to modern standards, savoured strongly of profiteering. It is as intolerable for wage-earners to exploit the community because their labour is scarce as it is for corn merchants to raise prices because they have made a corner in wheat.[1]

The Statute of Labourers failed in its purpose. It was in vain that it was re-enacted ; that special justices of labourers (forerunners of the justices of the peace) were appointed to enforce it ; that the penalties were made more and more savage. The economic tendency which the government was trying to fight was too strong. Wages could not be prevented from rising. They rose about 50 per cent. in the generation after the Black Death.[2] The rise in the labourer's standard of living excited some bitterness among the governing classes. 'The world', wrote the fourteenth-century poet Gower (in the *Mirour de l'Omme*), 'goeth fast from bad to worse, when shepherd and cowherd for their part demand more for their labour than the master-bailiff was wont to take in days gone by. . . . Labourers of old were not wont to eat of wheaten bread ; their meat was of beans or coarser corn and their drink of water alone ; . . . their dress was of hodden grey. Then was the world ordered aright for folk of this sort.' Even Langland, the poet of the poor, felt it necessary to rebuke those arrogant labourers who disdained a diet of cold cabbage and bacon and demanded baked or fried flesh and fish, piping hot.[3] This exceptional prosperity of the working-

[1] The weakest point in the statute was its failure to make any allowance for the rise in the cost of living due to the scarcity of foodstuffs.

[2] This is the estimate in Thorold Rogers, *op. cit.*, p. 265. It is confirmed from judicial documents by Miss Putnam, *Enforcement of the Statute of Labourers*, p. 90.

[3] *Piers the Plowman*, ix, 330–7.

class endured for another hundred years. The fifteenth century has been termed the golden age of the English labourer.

Having failed in their efforts to keep down the wages of the labourers, the lords had a second resource. They could return to the old system of labour services, wherever it had been departed from. There is no ground for believing that the lords deliberately broke legal contracts into which they had entered. Such contracts, as we have seen, were extremely rare, and in other cases the lords were quite within their legal rights in demanding labour in place of money if it was their interest to do so. But their action now provoked strenuous resistance. Labour was valuable and the tenants preferred to give money instead of work. Their scarcity value was as high as that of the labourers and there were numerous ways in which they could bring pressure to bear on their lords. A villein could take to flight. At another manor, he would be sure to be welcomed without questions asked, and given a holding on easy terms. For the lords in desperation were letting the land which they could not cultivate themselves to any one who would take it at a trifling rent. But in many cases discontented villeins preferred more direct action. They became insubordinate, refused to obey the orders of the bailiff and united with their fellows to withdraw labour services altogether from the lord. Contemporary statutes testify clearly to the growth of peasant confederacies and land leagues, making it plain that a regular land war was being waged in rural England. The lords had the law and the government behind them, but the economic situation was in favour of the villeins, and this tipped the scale. Manorial records show that the lords had no alternative but to yield to the demands of their tenants. After a short period, the commutation movement, which had been stopped dead by the Black Death, started again at an accelerated pace.[1] But the unwilling concessions wrung from the lords did not mitigate the fury of the class warfare. The improvement in the condition of the peasants only made them more acutely conscious of the wrongs from which they still suffered and strengthened their desire to secure complete emancipation.

[1] Page, *op. cit.*, pp. 59–65.

In the sermons of John Ball, 'the mad priest of Kent', as Froissart called him, who travelled all over southern England sowing the seeds of discontent, the spirit of class hatred found unmistakable expression.

> Good people [he said], matters goeth not well to pass in England nor shall do till everything be common and that there be no villeins nor gentlemen. Why should we be kept in servage? We be all come from one father and mother, Adam and Eve. Yet they are clothed in velvet and camlet, and we be vestured in poor cloth; they have their wines, spices and good bread, and we have the rye, the bran and the straw and drink water; they dwell in fair houses, and we have pain and travail, wind and rain in the fields; and by that that cometh of our labours they keep and maintain their estates.[1]

This is the voice of the leveller and the anticipation of social theories with a momentous future. In combination with the practical grievances of the villeins, these subversive doctrines supplied all the necessary materials for a social conflagration. England was to have her *Jacquerie* as well as France.[2]

The Peasants' Revolt.—In the great rebellion of 1381 all the smouldering embers of discontent in fourteenth-century England blazed into flame. The rising was mainly an agrarian one, though other factors played a part in producing it. Distrust of the government, war weariness, heavy taxation, the growth of anti-clerical feeling fostered by Wycliffe and his 'poor preachers', were all contributing causes. Every class with a grievance joined in. Townsmen rose against the clerical landlords who refused them charters; craftsmen massacred the aliens whose competition they dreaded. The spark which set England ablaze was the attempt of the government to collect the arrears of a poll tax levied in 1380. All over the country there were local risings, but the outbreak was most serious in the home counties. Two large bodies of rebels from Kent and Essex moved on London and occupied the city. With no regular

[1] Adapted from Froissart.

[2] There were numerous peasant risings on the Continent in the early Middle Ages. The most famous was the French *Jacquerie* of 1358, which was marked by terrible atrocities on both sides.

military force at its disposal, the government could think of no means of meeting the danger except to grant the insurgents all they asked. At Mile End an interview took place between the rebel leaders and the young king, Richard II. The peasants presented their demands: abolition of villeinage; land to be uniformly rented at the low rate of 4*d.* an acre; free pardons to be issued to participants in the insurrection. Everything asked was immediately granted, and after another exciting interview with the king at Smithfield in which the rebel leader, Wat Tyler, was killed in a scuffle with the royal retinue, the rebels dispersed to their homes. The government had never intended to keep its promises. Parliament declared that villeinage could not be abolished without its consent. Even the promises of pardon were broken and commissioners were sent round the rebel districts to punish the ringleaders. Among the victims of the government's repressive measures was John Ball, who appropriately closed his stormy existence on the scaffold.

The End of Villeinage.—The Peasants' Revolt was no more than an episode in the long-drawn struggle between the villeins and their lords. In itself it was a failure and had no important consequences except to encourage the lords for a time to take severe measures against their tenants. But this short period of reaction was soon over. The struggle was speedily resumed on the old terms, and the relentless pressure of economic forces steadily inclined victory to the side of the peasants. The scarcity of labour of all kinds drove the lords against their will to make concessions, and by the middle of the fifteenth century the attempt to exact labour services had been nearly everywhere abandoned.[1] With the disappearance of its most characteristic feature, villeinage as a tenure died out. The villein now held his land in return for an annual money payment, and came to be known as a copyholder, the title to his holding being the copy of an extract from the manor roll.[2] Like the villein, the copyholder had at first no security of tenure. But in the fifteenth century, landowners could not afford to evict

[1] Page, *op. cit.*, pp. 77–8.

[2] Copyhold survived as an English tenure until the Property Act of 1922.

their tenants. They were too scarce. Thus the copyholder obtained a certain security by custom, which, as so often happens, tended to harden into law. The legal status ultimately attained by the copyholder will be described in the next chapter.

Villeinage as a status or personal condition survived a little longer than villeinage as a tenure. But it also had ceased to have much economic significance. If a villein had gone into trade or industry and become rich, it might be profitable for a lord to exercise his rights over him, for legally all the villein's property was his and he could tax him as much as he pleased. Instances of the persecution of wealthy villeins occurred down to the sixteenth century, but on the whole they were rare. In ordinary circumstances, a lord had nothing to gain by exerting authority over his serf. Villeinage was never abolished by law. A bill with this object was rejected by the House of Lords in 1537. But bondmen bought their freedom or escaped to estates where they were not known; lords ceased to exercise their powers; and in these various ways the institution died out. In Tudor times, 1 per cent. of the population, it has been estimated, was in a state of serfdom.[1] But by the beginning of the seventeenth century all trace of villeinage, either as a tenure or as a status, had completely disappeared.

The Growth of Leasehold.—By surrendering the right to exact labour services from their villeins, the lords were forced to abandon the practice of farming their own desmesnes. Their only resource was to let them to their tenants. The custom of leasing the desmesne had begun long before the Black Death, but it was exceptional. In the fifteenth century, it became the almost universal practice. Owing to the difficulty at first of finding tenants with the necessary farming capital, the land had to be let in small lots and the lord had to supply his tenant with the stock and seed he required. This is what has been called the land and stock lease system.[2] The tenant paid a rent, not only for the land but for the

[1] Savine, 'Bondmen under the Tudors', in *Transactions of the Royal Historical Society*, New Series, XVII, p. 349.

[2] For an early example of a land and stock lease, see Bland, Brown and Tawney, *op. cit.*, p. 79.

stock upon it, which he was bound to restore, or its money equivalent, at the end of the lease. Rents were sometimes fixed in money but more often in kind, the lords apparently clinging to the idea that the desmesne should continue to furnish them with a supply of food. As the fifteenth century progressed, the land and stock lease system gradually gave way to the modern arrangement by which the tenant rents the land and himself supplies the stock. This was doubtless the result of the growing prosperity of the tenants, which enabled them to buy up the stock they had received from their landlords. Another change, due probably to the same cause, was the growing size of leasehold farms. By the beginning of the sixteenth century, it was quite common for the whole desmesne to be let to a single tenant.

The Manor Transformed.—As a legal and economic institution the manor survived all these changes,[1] but they gave it an entirely new aspect. For practical purposes, the distinction between the desmesne and the customary land disappeared. (It was maintained for legal purposes.) The lord ceased to have anything directly to do with the cultivation of his land and became a mere receiver of rents. His tenants consisted of a miscellaneous collection of freeholders, leaseholders and copyholders. The old uniformity in the size of the holdings disappeared. The lord, since he had given up desmesne farming, had no longer any interest in maintaining it. The system of scattered holdings was also to a slight extent modified. By the sixteenth century, most lords, through exchange and purchase, had succeeded in disentangling their desmesnes from the mass of the peasants' holdings, and even among the tenants, a similar consolidating movement had been in progress, though it had not proceeded far enough to make the compact holding other than the exception upon the manor.[2] But in one important respect the manorial economy remained unchanged. The old collective, three-field system of husbandry continued to be

[1] As a legal institution, the manor survived till 1925. For examples of the activities of manorial courts in the twentieth century, see Sir Edward Parry, *My Own Way*, pp. 246–7.

[2] See Tawney, *The Agrarian Problem in the Sixteenth Century*, pp. 147–73.

followed. Serfdom had gone or was going, but the shell of serfdom survived.[1]

FURTHER READING.—Lipson, *op. cit.*, Vol. I, chap. iii; Ernle, *op. cit.*, chap. ii; Gras, *Evolution of the English Corn Market*, chap. i; Page, *End of Villainage in England*; Levett, *The Black Death on the Estates of the See of Winchester*; Oman, *The Great Revolt of* 1381; Petit-Dutaillis, *Studies Supplementary to Stubbs' Constitutional History*, Vol. II, pp. 252–304; Bland, Brown and Tawney, *op. cit.*, Pt. I, sec. iv, and sec. v, nos. 12–19.

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[1] 'The community in villeinage fitted into the open field as into its shell—a shell which was long to survive the breaking up of the system of serfdom which lived within it.'—Seebohm, *English Village Community*, p. 78.

CHAPTER VII

THE AGRARIAN REVOLUTION OF THE SIXTEENTH CENTURY

The New Economic Outlook.—Since the days of Michelet and Taine, it has become a commonplace to speak of the modernity of the sixteenth century. In every branch of human activity, religion, morals, art and literature, ideas were born with which moderns can sympathize and which still largely engage their attention. In the economic sphere, also, there were anticipatory developments which make this age 'a prefiguration of our own time'.[1] Most important of all was the change in the public attitude towards the business of getting wealth. The sixteenth century was distinguished by a remarkable outburst of the spirit of self-seeking. The bitter desire for gain took possession of men's minds, completely expelling the medieval ideal of the sanctity of poverty. Money became the measure of all things, and the search after riches, the only rational pursuit. The new acquisitive spirit worked most powerfully in trade and industry, but its results are seen most plainly in agriculture against a background of rural custom and prescription. 'Changes which in a more mobile environment pass unnoticed are seen there in high relief against the stable society which they undermine.'[2] The penetration of English rural life by commercial ideas was facilitated by the friendly relations which existed beween the trading and the landed classes. No impassable social barrier divided nobleman and commoner as on the Continent. Impoverished landowners married city heiresses and wealthy merchants invested their savings in land. The invasion

[1] Hauser, *La Modernité du XVI^e Siècle*, p. 105.

[2] Tawney, *Agrarian Problem in the Sixteenth Century*, p. 408.

of the country by *nouveaux riches* from the town was assisted by the dissolution of the monasteries which brought large quantities of land into the market. The value of the confiscated property was estimated at between two and three million pounds, and a large part of it was purchased from the original grantees by city men in search of a profitable outlet for their capital.

The new race of landowners regarded their land chiefly in the light of an investment, a distinct departure from the medieval standpoint. In the Middle Ages, land was looked on as a source of dignity or as a nursery of soldiers or as a means of maintaining a governing class in the social position appropriate to it. To exploit an estate in order to get from it the highest monetary revenue was considered almost an abuse of property rights, especially if such exploitation involved the misery or degradation of the cultivators of the soil. For the ties that bound a lord to his tenants were not merely economic. An element of sentiment and affection entered in. He was their father and protector and they were his loyal and devoted vassals. Practice was not always in accord with this lofty theory, but it was the ideal to which some respect had to be paid.

The political and social developments of the fifteenth and sixteenth centuries wrought a complete change in the general theory of landowning. The internal peace and order established by the strong Tudor government robbed the peasants of their potential value as fighting men and transformed the relation between them and their lords into a pure cash-nexus. The growth of a money economy made inroads on manorial custom behind which the tenants had found shelter, and allowed the lord to indulge to the full his profit-searching proclivities. The result was a social revolution. The sixteenth century resembles the nineteenth in the sombre contrasts which it presents: increasing wealth offset by grinding poverty; material progress accompanied by social retrogression; the elevation of the rich and the depression of the poor.

Rackrenting.—One way in which the new spirit in landholding showed itself was in the raising of rents to their highest competitive level. The literature of the time is full

of allusions to this new tendency. Preaching before the young king, Edward VI, Latimer explained that his father had rented a farm at three or four pounds a year and lived in comfort, ' where he that now hath it payeth sixteen pounds by year or more, and is not able to do anything for his prince, for himself nor for his children, or give a cup of drink to the poor '. The rate of increase here mentioned was not unusual. Much of the rise, it must be admitted, was justified in view of the upward movement of prices that followed the inflow of silver from the New World.[1] But this is not a complete explanation of the rise in rents. The decay of custom left the tenant defenceless against his lord and many proprietors seized the opportunity to screw the last penny out of their dependants.

You landlords [thundered Latimer], you rent-raisers, I may say you step-lords, you unnatural lords, you have for your possessions yearly too much. For that which herebefore went for twenty or forty pounds by year—which is an honest portion to be had gratis in one lordship of another man's sweat and labour—now is let for fifty or a hundred by year.[2]

The Second Prayer Book (1553) of Edward VI contained a prayer that landlords

remembering themselves to be thy tenants, may not rack and stretch out the rents of their houses and lands, nor yet take unreasonable fines and measures after the manner of covetous worldlings, but so let them out to other that the inhabitants thereof may both be able to pay the rents and also honestly to live.[3]

The chief sufferers from rackrenting were the leaseholders, who had no legal protection against their lords, once the term of their lease had expired. There were even methods, down to 1529, by which a landlord could expel his tenant before his lease had run out. The freeholders on the other hand were in an unassailable position. Their fixity of tenure was protected by the royal courts and their annual payments could not be raised. Amid the storm which wrought such

[1] See chaps xi and xvi. [2] Sermons, I, p. 98.
[3] Quoted in Tawney and Power, *Tudor Economic Documents*, III, p. 62.

havoc among other tenants, they rode securely. The legal status of the copyholders, the largest class on the sixteenth-century manor, requires some explanation. Their position was for long a puzzle to historians. Contradictory facts seemed to emerge. Tenants, called copyholders, were evicted from their holdings during the fifteenth and sixteenth centuries. Others, bearing the same title, received the protection of the courts. After one or two abortive attempts at explanation,[1] the mystery was cleared up by an American scholar, Dr. Savine.[2] Actually, there were different kinds of copyholders. Broadly, they fell into two classes; first, copyholders for years and for lives, who in practice were indistinguishable from leaseholders. They held their lands for a prescribed term, and when this ran out, their holdings reverted to the lord. It was this type of copyholder who suffered eviction. The second class were copyholders by inheritance. In their case, the copyhold passed by custom from a man to his heirs, and where this could be proved, the courts would prevent eviction. Their interference began tentatively in the fifteenth century. At first it was the Court of Chancery that intervened, showing the exceptional character of the procedure, but in the sixteenth century, the ordinary law courts undertook the protection of the copyholder. Nevertheless, their interference was strictly limited. They would do no more than enforce 'the custom of the manor'. The copyholder had first to prove that his holding was on the customary land (if it was on the desmesne or the waste, the rules of custom did not apply), and secondly he had to show that his holding had passed regularly from father to son over a long enough period to establish a prescriptive right of succession. It was only a minority of copyholders who could satisfy these conditions.

Even against the authentic copyholder by inheritance, the lord had a weapon in reserve. Every copyhold tenant paid a fine on succeeding to his holding (a relic of the old villein heriot), and in only comparatively few cases were these fines

[1] E.g. by Leadam, *Trans. Royal Hist. Soc.*, N.S. VI, p. 262; *English Historical Review*, p. 684, and by Ashley, *Economic History*, II, pp. 274–82.

[2] *Quarterly Journal of Economics*, XIX, p. 46.

fixed.[1] If a lord wished to get rid of a copyholder he had simply to levy a fine which the tenant could not pay, and on default, enter into possession of his holding. In the end, it was only to a very small class that Coke's famous pronouncement in the *Complete Copyholder* (1630) applied.[2]

The great drawback of copyhold tenure from the lord's point of view was that the rents were unalterably fixed and had in many cases been arranged at an early period when money was much more valuable than in the sixteenth century. The rise in prices put an unearned increment into the pocket of the copyholder. On one Cambridgeshire manor in 1609, the copyhold rents were only a tenth of the competitive rate, the amounts having been fixed in the reign of Henry VI.[3] This was an additional reason why lords were so ready to levy swingeing fines. They wanted to get back in one payment what they had lost over a series of years. Where this resource was not open, the lords strove to turn copyhold into leasehold by offering their tenants long leases on advantageous terms in exchange for their titles by copy. This policy was strongly recommended by Fitzherbert, a notable writer on agriculture of the early sixteenth century.

> Let every lord [he wrote] by his copy of court roll or by indenture make a sufficient lease to every of his tenants, to have to him and to his wife and to his children, so that it pass not three lives, then being alive and named. . . . For undoubted a set day cometh at last, and though the advantage of the lords come not anon (immediately) it will come at length.[4]

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[1] Not till 1781 were fines fixed universally at two years' rent.

[2] Sec. 9. 'But now copyholders stand upon a sure ground, now they weigh not their lord's displeasure, they shake not at every sudden blast of wind, they eat, drink and sleep securely; only having an especial care of the main chance, to perform carefully what duties and services soever their tenure doth exact and custom doth require; then let the lord frown, the copyholder cares not, knowing himself safe and not within any danger. For if the lord's anger grow to expulsion, the law hath provided several weapons of remedy; for it is at his election either to sue a *subpœna* or an action of trespass against the lord. Time hath dealt very favourably with copyholders in divers respects.'

[3] Maitland, *Collected Papers*, II, 397.

[4] Fitzherbert, *On Surveying*, 1523; quoted in Ashley, *Economic History*, Pt. II, p. 284.

The substitution of leasehold for copyhold made rapid progress in the sixteenth century. It was one more sign of the advance of a money economy and the displacement of custom by competition.

Sheep-farming and Enclosures.—In a still more revolutionary fashion, the new commercial spirit in agriculture made itself manifest. Landowners abandoned arable farming for the more profitable pursuit of sheep-rearing and initiated a movement which destroyed the old collective system of husbandry over a large part of England. The causes which made sheep-breeding more remunerative than corn-growing were mainly two. English wool was of the long-fibred variety. It was well adapted for the manufacture of the finer kinds of cloth and there had long been a brisk demand for it from the industrial centres of the Low Countries and the Rhine. Now this demand was intensified by industrial expansion abroad and by the establishment of a native cloth industry in England. The price of wool went up. Corn-growing, on the other hand, was relatively unprofitable, owing to the legal restrictions on its sale imposed by the State in the interests of the consumer. In 1491 the export of grain without special licence was forbidden altogether. This narrowed the market and kept prices artificially low. Two minor factors co-operated in the promotion of sheep-farming. Much land in England had been brought under the plough which was better suited for pasture; and much arable land had become exhausted through prolonged cropping and would benefit from being put under sheep. Finally, the scarcity of labour encouraged resort to a method of farming which required few hands.

The transformation of the scattered arable holdings of the manor into a large sheep-run involved the process of *enclosure*. Literally this word means surrounding a piece of land with a hedge, but in its extended sense it signifies the substitution of compact holdings for the scattered strips of the open-field system and the displacement of collective husbandry by individualist farming. This change was not necessarily bound up with the transition from corn-growing to sheep-breeding. Much enclosure was carried out in the fifteenth century by tenants in the interests of improved arable farming. But

the primary object of the sixteenth-century enclosure movement was the introduction of sheep-rearing, and its promoters were the lords.

An enclosing landlord usually acted through the agency of a wealthy leaseholder to whom he rented his land. His first point of attack was the desmesne where his powers were least trammelled by law or custom. Where the desmesne had been disentangled from the tenants' holdings, as in most cases it had by the sixteenth century, its enclosure impaired only to a slight extent the working of the manorial economy. But when the lord passed on to the waste, the consequences were more serious. Without the common pasture on which to turn out his beasts, the small tenant could hardly exist. The enclosure of the waste shook the manorial economy to its foundations. On this part of the manor, the lord's freedom of action was limited by the thirteenth-century Statute of Merton, which, as we have seen, gave legal protection to the free tenants only. But the evidence of Coke [1] and other contemporaries [2] is that during the sixteenth century the statute was applied indiscriminately to all classes of tenants, to copyholders as well as to freeholders. From this there are only two inferences. Either the lord did not enclose the waste until he had first got rid of his customary tenants,[3] or he simply overrode the legal rights of his copyholders. That on occasion he did so even in the case of freeholders we have sufficient evidence. A notorious instance occurred in the little Wiltshire town of Wootton Bassett. The freeholders of the town had a common of 2,000 acres which the lord succeeded in filching from them, afterwards impoverishing them with prolonged lawsuits when they tried to make good their legal rights.[4] In that age as in others, it was often difficult for the poor to obtain justice.

When enclosure reached the customary land, the manorial economy was on the brink of dissolution. The lord had few legal obstacles to encounter. Freeholders, it was true, had

[1] *Complete Copyholder*, sec. liii.

[2] E.g. Fitzherbert in his work, *On Surveying*.

[3] Johnson, *Disappearance of the Small Landowner*, p. 40, holds that enclosure of the waste was unimportant in the sixteenth century.

[4] See Bland, Brown and Tawney, *op. cit.*, pp. 255–8.

to be bought out or compensated, but leaseholders and most copyholders could be got rid of without much difficulty. Contemporary literature makes it plain that wholesale evictions were common incidents of the time.[1]

> The grass grows green where little *Troy* did stand,
> The forlorn father hanging down his head.
> His outcast company drawn up and down.
> The pining labourer doth beg his bread.
> The plough swain seeks his dinner from the town.[2]

Enclosures, as Bacon put it, ' bred a decay of the people '. Whole villages were depopulated ; the houses tumbled into ruin ; the roofless church became a sheep-pen ; a few herdsmen lived where once had been the abode of a thriving agricultural community.

The dispossessed peasants had the greatest difficulty in finding alternative employment. Statutes of Labourers, intended to correct the evils of a shortage of labour, were applied without discrimination to a new situation in which labour was plentiful ; the unemployed peasant wandering in search of work found himself treated like a criminal. If he settled in a town, the local craftsmen regarded him with jealousy as a form of cheap labour, and the town authorities made it difficult for him to obtain a shelter for himself and his family. Municipal regulations discouraged the receiving of lodgers and the division of houses into tenements. A special Act of Parliament (1593) applied these rules to London, and another (1589), applicable to the whole kingdom, forbade more than one family to live in a house. (These laws were known as the Statutes of Inmates.) The English cloth industry, though growing, was not yet in a position to absorb all the hands set free from agriculture, with the result that most of the displaced agriculturists took to the roads and became tramps. The countryside was infested by bands of sturdy beggars, whom Parliament sought in vain to tame by prescribing slavery and death as the penalties for vagabondage. These terrorist measures were useless when the

[1] See the well-known description by More in his *Utopia* (Lupton's edition), pp. 51–4.

[2] From Bastard's *Chrestoleros*, quoted in Tawney and Power, *op. cit.*, III, 80.

problem was one not of vagrancy but of able-bodied unemployment on a large scale.

Attitude of the State.—The Tudor monarchy could not view with indifference a movement in which private and public advantage were so manifestly in opposition. The injury to the common weal was undeniable. The depopulation of large areas reduced the yield of taxation to the Treasury. The military strength of the kingdom was impaired by the destruction of a class which since the days of Crécy had formed the backbone of the English armies. The public peace was endangered by the discontent provoked through the activities of enclosing landlords. Numerous local riots occurred and at least two large-scale rebellions were caused wholly or partly by hatred of enclosures, the Pilgrimage of Grace in 1536 and Ket's Rising in Norfolk in 1549.[1] With a religious revolution on their hands and the threat of foreign invasion constantly hanging over their heads, the Tudors could not afford to run the risk of internal rebellion. They therefore applied themselves to check a movement which was the parent of social disorder. Between 1489 and 1597 a series of statutes were passed against enclosures, and war was waged on powerful enclosing landlords through the special administrative organs of the Star Chamber, the Court of Requests, the Councils of the North and of Wales. Two short periods were marked by special drives against enclosures. In 1517, Wolsey set up a commission of inquiry and issued a decree in his capacity as Lord Chancellor, ordering the destruction of all enclosures returned as contrary to law. The decree was acted on in a number of notable instances, but it does not seem to have been regularly enforced, and Wolsey's attention was soon diverted to more pressing political and ecclesiastical questions. In 1549, the Protector Somerset instituted another commission, of which an active member was John Hales, the reputed author of a famous pamphlet, *The Commonweal of England.* The operations of the commission met with strenuous resistance from the local gentry, and at the council board an opposition party formed itself under Warwick, a notorious enclosing landlord. The

[1] See Dodds, *Pilgrimage of Grace*; and Russell, *Ket's Rebellion in Norfolk.*

hands of the opposition were enormously strengthened by the outbreak of Ket's rebellion, which thoroughly alarmed the propertied classes, and Warwick, who had acquired great prestige through his suppression of the rising, profited by the reaction to overthrow and imprison his rival. Hales had meantime prepared three bills dealing with enclosures, but Parliament would have nothing to do with them. On the downfall of his patron, he had to seek refuge in Germany.

The opposition of the State may have acted as a brake on the enclosure movement, but this is the highest possible estimate of its influence. Once again in a contest between a government and an economic tendency, the government was beaten. This time there were special reasons to explain the defeat. The local agent of Tudor administration was the justice of the peace, a country gentleman, in strong sympathy, most probably, with the enclosure movement, and unlikely to enforce with vigour legislation which he considered as opposed to his economic interests. We have the testimony of contemporaries that the most flagrant evasions of the law were connived at. Another reason for the failure of the government was the small intelligence it showed in dealing with the problem. Most of its remedies were clumsy attempts to put back the clock, to re-establish a decaying economic system in a new environment for which it was not suited. Hales showed a clearer grasp of the situation. The aim of the State, he said, should be ' to make the profit of the plough to be as good, rate for rate, as the profits of the graziers or sheep-masters '.[1] Accordingly he proposed to remove the restrictions on the export of corn and to tax the export of wool. Short of conferring on the peasant security of tenure, a revolutionary measure which the conservative Tudors would never have faced, Hales's solution was probably as good as any. When it was partially adopted under Elizabeth, by relaxing the prohibition on the export of corn, the pace of the enclosure movement notably slackened.

Extent of the Movement.—The belief of contemporaries that the movement was universal throughout England is of course quite erroneous. Actually most of the sixteenth-century enclosures took place in the midland and eastern counties

[1] *Commonweal of England* (Lamond's edition), p. 53.

from Berkshire and Oxfordshire in the south to Lincoln and Norfolk in the north-east.[1] Apart from certain districts like Kent, Essex and Devonshire, which were enclosed earlier than the sixteenth century, the rest of England remained unenclosed till a much later date. The attempt to apply statistical measurements to the movement has produced somewhat surprising results. Professor Gay [2] has calculated that in 24 counties the area enclosed between 1455 and 1607 was only about half a million acres or $2\frac{3}{4}$ per cent. of the total area. From this he has inferred that the importance of the movement has been grossly exaggerated, both by contemporary writers and by later historians. This is a very unsafe inference. As has been pointed out, 'the quantitative rule by which we measure economic changes bends in our hands when we use it to appraise their results'.[3] In other words, a change which appears small when measured in percentages, may be responsible for a very considerable social and economic dislocation.[4] On a review of all the evidence, we cannot escape the conclusion that the enclosure movement was responsible for a profound social upheaval.

Permanent Results.—Enclosure which had begun early in the fifteenth century slowed down towards the end of the sixteenth, and though the old idea that the movement ceased abruptly about 1600 is entirely wrong, yet it is true that this date marks roughly the close of a distinct phase of it. The enclosures of the seventeenth century were different in character and object from those we have been considering. Of the sixteenth-century movement, the permanent results were mainly two: (*a*) the destruction of the old English village community over about two-fifths of England; (*b*) the concentration of landownership to a still further extent in the hands of the upper classes. The Tudor nobility, enriched by the spoils of the Church and flourishing amid

[1] See Gay, *Trans. Hist. Soc.*, XIV and XVII, and *Quarterly Journal of Economics*, XVII; consult also Map I at end of Johnson's *Disappearance of the Small Landowner*.

[2] *Quarterly Journal of Economics*, XVII, pp. 576–97.

[3] Tawney, *op. cit.*, p. 402.

[4] Our modern unemployment problem may be made to appear small if measured in percentages. A million unemployed is only a little more than 2 per cent. of the population.

the ruin of the peasantry, were the ancestors of the landed aristocracy which governed England from the Revolution to the first Reform Bill, the aristocracy of which Disraeli said that its origins were more remarkable than illustrious. Yet England had still some distance to travel in its journey towards a complete system of autocratic landownership. Over the greater part of England, the medieval village community survived, and beneath the upper stratum of large landowners there existed a rural middle class, consisting of peasant proprietors, copyholders and substantial tenants, the 'yeomen', who played so important a part at many critical moments in seventeenth-century history. At the Revolution, Gregory King estimated the number of yeomen freeholders at 140,000. The destruction of this rural *bourgeoisie* was reserved for the eighteenth century.

FURTHER READING.—Lipson, *op. cit.*, chap. iv; Ernle, *op. cit.*, chaps. iii and iv; Tawney, *Agrarian Problem in the Sixteenth Century*; Johnson, *Disappearance of the Small Landowner*, chaps. iii and iv; Gonner, *Common Land and Enclosure*; Curtler, *Enclosure and Redistribution of Our Land*, chaps. viii–xi; Bland, Brown and Tawney, *op. cit.*, Pt. II, sec. i; Tawney and Power, *Tudor Economic Documents*, I, sec. i; and III, sec. i.

CHAPTER VIII

COMMERCE AND TOWNS

Medieval Trade Routes.—In the Middle Ages, long-distance trade centred mainly round the two great inland seas, the Mediterranean and the Baltic. The first of these was the traditional highway between East and West along which had flowed in Roman times, and for some centuries after, a rich and fertilizing stream of commerce. But the advance of the Moslem power in the eighth century and its establishment on the eastern and southern coasts of the Mediterranean drove a wedge between East and West and reduced the trade between Asia and Europe to small dimensions. The loss to Western civilization was great. Europe was thrown back upon herself; her agrarian character was intensified; her town life decayed; and her commercial activity sank to a low ebb. The impulse which rescued the West from this state of economic stagnation came from the Crusades. The eastward thrust of Christendom in the eleventh century broke the Mohammedan power in the Mediterranean and reopened to European traders the markets so long closed to them. The Italian cities and especially Venice were quick to seize the opportunity thus provided. All over the eastern Mediterranean they planted their trading depots, and collected in their galleys the rich cloths, the glasswork, the mosaics, the porcelain, the gold and silver ornaments of the great manufacturing city of Constantinople; the spices, the silks, the tapestries, the carpets and the precious stones of the East, brought by desert ways to the Levantine ports from Hindustan and far Cathay. These luxury goods were distributed from Italy to the rest of Europe either by the land routes through the passes of the Alps or by sea through the Straits of Gibraltar, the Bay of Biscay and the English

Channel. Both these trade routes terminated in the Low Countries, which thus acquired exceptional importance in the Middle Ages as an international mart or emporium.

The Baltic, also, served to some extent as a highway between East and West. From an early period a thin trickle of Oriental goods penetrated to northern Europe by way of the Caspian and the Volga. But the economic importance of this region depended rather on its possession of commodities which were comparatively scarce in other parts of Europe—fish, salt, timber, pitch, tar, turpentine and furs. The Baltic trade was soon monopolized by the north German towns, which were united in 1358 into the commercial federation known as the Hanseatic League. The League became a political power of the first magnitude. Its efficient mercenary army and well-equipped fleet inspired respect and enabled it to extort valuable commercial concessions from foreign states. The Hansards had four important trading depots abroad, at Novgorod, Bergen, London and Bruges. Through the first they tapped the rich natural resources of Russia and north-eastern Europe. Through the last they established contact with the stream of Oriental commodities flowing northwards from the Mediterranean. Thus the trade of northern and of southern Europe found a meeting-point in Flanders, adding another element to the commercial greatness of this nodal region.

Markets and Fairs.—Medieval trade was so meagre in quantity and so casual in character that for the convenience of those engaged in it, as well as for purposes of public regulation, it had to be canalized, so to speak, through the periodic gatherings of buyers and sellers, known as markets and fairs. These two commercial institutions differed in their duration and the size of the area which they covered. The market was held frequently, daily or weekly, and served the needs of a small district. It was mainly concerned with the sale of foodstuffs. Each town or important village had its market-place, to which the neighbouring peasants brought their produce to sell. Often the market was held on a Sunday and in the churchyard, the time and place most likely to attract a large concourse of buyers. Even clerical owners of markets concurred in this desecration of the Sabbath. The practice was not stamped out, despite the efforts of Church and legis-

lature, till after the Reformation. By law, a market could only be held in virtue of a royal grant. It was a lucrative right, since the owner could draw an income from tolls levied on transactions. In erecting new markets, therefore, care had to be taken not to damage the interests of those already existing, and the thirteenth-century legal writer, Bracton, mentions a rule forbidding the establishment of a new market within $6\frac{2}{3}$ miles of an old one. Probably this was a rough measure of the area which a purely local market might be expected to serve.

Fairs were markets on a larger scale. They were held at longer intervals, lasted for several days or weeks and were visited by travelling merchants from a distance. They were indeed the main centres at which were sold the luxury goods mentioned in the previous section. Most fairs had developed out of religious festivals which brought together large crowds of pilgrims and presented excellent opportunities for trade. The royal consent was necessary for the holding of a fair as of a market, but some of the ancient fairs could show no charters and had to plead immemorial usage. The owner of a fair derived a revenue from tolls, from the rent (stallage) paid for booths and stalls, and from the fines levied in the fair court, called from the dusty feet of the suitors, the piepowder court (Fr. *pieds poudreux*). The justice administered in the fair was of a special character. It was based on the Law Merchant, a collection of doctrines and usages observed by merchants all over western Europe, which may therefore be regarded as one of the first examples of international law. In the piepowder court the lord of the fair or his steward presided, assisted by a jury of merchants, and the justice administered was rapid, free from technicalities and based on a more rational procedure than prevailed in the feudal or the national courts. Many boroughs obtained the right to set up permanent piepowder courts, and thus for several centuries England had a body of commercial law, independent of her common or statute law and administered by special commercial courts.[1]

[1] In the course of the seventeenth century, the Law Merchant was absorbed into the common law and its administration taken over by the ordinary law courts.

Among leading English fairs may be mentioned that of St. Giles at Winchester; of St. Botolph at Boston; of St. Bartholomew at Smithfield; of St. Ives in Huntingdonshire and of Stourbridge in Cambridgeshire. Most of them were to be found in the south-eastern half of the island and nearly all, owing to the circumstances of their origin, were under the control of the Church. The most flourishing period in fair history extended from the twelfth to the fourteenth centuries. After that trade began to seek new channels, and the relative importance of the fairs declined. But they continued to form an indispensable part of the national commercial organization till almost the eve of the Industrial Revolution.

Commerce and the Growth of Towns.—All over Europe the revival of trade which followed the Crusades was accompanied by a quickening of town life. In England, the Norman Conquest, though its immediate influence was not altogether favourable to municipal development, marks nevertheless the beginning of an important and fruitful period in urban history. By the thirteenth century, the 40-odd Domesday boroughs had swelled to more than 100. It is perhaps a tribute to feudalism that it was sufficiently flexible to admit this fresh social element, alien to it in so many ways and destined one day to destroy it. Municipalities could be conceived of as corporate tenants and in this capacity took their places easily within the feudal hierarchy. But this position was not achieved at once. To begin with, medieval towns had no administrative unity, and the citizens were indistinguishable in social status from the inhabitants of the neighbouring manors. They were the tenants, sometimes the serfs, of a feudal baron and subject to all the disabilities attaching to their dependent condition. In these circumstances, the first object of the townsmen was to win their personal freedom and obtain relief from feudal tyranny. Between the eleventh and thirteenth centuries, this ambition was to a great extent realized. Where the townsmen had the king or a lay baron as their immediate overlord, their task was comparatively easy. King and lords were chronically impecunious and only too eager to barter away rights that could be turned into money. But with clerical landlords, greater difficulties were

encountered. The Church was rich and could not be bribed ; it considered that it held its privileges in trust only and therefore was unwilling to part with any of them. Hence the relations between clerical landlords and the townsmen on their estates were consistently hostile, and it was only after long and bitter struggles that the towns on church lands won their independence.[1]

Not content with buying out their feudal superiors, the townsmen sought wherever possible to exclude the agents of the central government. The sheriff, the king's local representative, was an unscrupulous official, ever ready to seize opportunities of oppression and extortion. The townsmen preferred to deal not with him but directly with the Crown. In large measure this object also was attained. The English towns never acquired the independent position of some of the Continental communes. The monarchy in England was too powerful for that. But they did succeed in obtaining a larger degree of autonomy than is enjoyed by any modern municipality.

The privileges granted to towns in royal or baronial charters included first of all the emancipation of the townsmen. 'Town air makes free', said a medieval German proverb, and most English boroughs had the special privilege that a villein who resided undisturbed for a year and a day within their walls could not be reclaimed by his lord. Another valuable privilege was the right to farm the town taxes and pay them in a lump sum to the Exchequer, thus excluding the hated sheriff.[2] The grant of a borough court allowed the townsmen to institute a more rational system of justice than was to be found in feudal courts and one better adapted to men of their peaceful habits and mercantile pursuits. And lastly the right to elect magistrates conferred on the burgesses something of a corporate character, though the full legal conception of the town as a corporation did not develop till a much later date.

The achievement of municipal independence coincided with

[1] For an account of the prolonged warfare between the town of St. Albans and the Abbey, see Froude's essay in *Short Studies on Great Subjects*, Vol. III, entitled 'Annals of an English Abbey'.

[2] This lump sum was known as the *firma burgi* or the town ferme.

the rise of the town to a position of peculiar importance in the general economy. Long-distance trade at this stage was inter-municipal; that is, it was conducted between towns rather than between countries, and its regulation rested largely with the municipalities. At the same time, each town became a kind of focus for the economic activity of the district surrounding it. At the town market, the neighbouring peasants sold their produce and purchased the manufactured articles of the urban craftsmen. By its control of the town market, the municipality was able to supervise economic activity throughout a wide circuit beyond its city walls. This twofold development produced what is sometimes called the *town economy*. England in the Middle Ages was a national state, but from the economic point of view, it was divided up into a number of roughly self-sufficing regions, within each of which the organ of economic control was not the State but the leading municipality. Of course, the expression *town economy* must not be interpreted too literally. Every attempt to summarize the economic features of a period must fail to account for many exceptional facts. But the attempt is justified if it brings out the salient characteristics of an epoch and makes it intelligible. And this is what the phrase *town economy* does. It accurately describes a stage in economic growth through which England passed in the Middle Ages and from which she only began to emerge in the fifteenth and sixteenth centuries.

The Merchant Gild.—The rise of a special class of merchants in medieval Europe would form an interesting subject of sociological study, if only materials were available for its adequate treatment. In the absence of definite information, we are reduced to conjecture, but it seems likely, as Pirenne has suggested, that the new class of traders was recruited not from the peasantry, who were too deeply rooted to the soil to dream of embarking on so hazardous a career, but from the flotsam and jetsam of life, the prodigal sons, the adventurers, the brigands, the pirates. The English saint, Godric of Finchvale, who before his conversion was a prosperous merchant, started life as a beachcomber.[1] The homes of

[1] For a short account of his career, see Pirenne, *Medieval Cities*, pp. 120–1.

the new professional traders were the towns, and it was this class that took the leading part in the struggle for municipal liberties. The strength of the tendency to association in the Middle Ages has often been commented on. The tendency was strong because the greatest association of all, the State, was weak. Men had to find some means of doing for themselves what the State as yet could not do for them. The union of the merchants of each town into an association to defend their interests was therefore a perfectly natural development. It is probable that the merchant gild generally preceded the grant of municipal independence and was the instrument by which it was obtained. But however this may be, the relations between the gild and the municipality were always very intimate. Theoretically the two institutions were distinct, but the merchants were the governing class in the town, and the leading members of their gild held the chief posts in the municipality. In England the first reference to a merchant gild is about the year 1100, but it soon came to occupy an important place in municipal life. It is mentioned in the charters of about 100 towns, and where it did not exist, as in London and the Cinque Ports, the reason probably is that the objects of the gild were more conveniently attained by some other piece of social machinery.

These objects were frankly monopolistic. The gild existed to secure for the resident merchants a monopoly of the town's trade. Visiting merchants were jealously watched and their operations circumscribed in every way. It mattered not whether they were Englishmen or aliens. To the medieval burgess every one outside his city was a 'foreigner'. 'Foreign' merchants must pay toll; they must sell only wholesale and only to members of the local gild; and they must not attempt to purchase any commodities which the townsmen specially wanted for themselves. Sometimes a townsman was persuaded to pass off a stranger's wares as his own, but this 'colouring of the goods' was a deadly offence and visited with heavy penalties. To prevent such evasions of the gild's regulations, outside merchants were sometimes compelled to 'go to host'; that is, they must reside with a townsman who became responsible for them and acted as a spy on all their actions.

Beyond the walls of his native town, the medieval merchant relied chiefly on his gild or the municipality with which it was so closely connected, to protect him against injustice and wrong. Nothing brings out more clearly the inter-municipal character of trade at this stage. A town protected its citizens by methods which would now be considered appropriate only to a sovereign state, particularly by the use of reprisals. This was the method regularly used, for example, in the collection of debts. If a York merchant failed to obtain payment from a debtor in Bristol, the York municipality, after due warning, distrained on the goods of any Bristol merchants who happened to be passing through York.[1] This rough-and-ready manner of doing justice inflicted much suffering on innocent persons, and in the reign of Edward I the State attempted to establish a more equitable system of debt recovery. By the Statute of Acton Burnell (1283) and the Statute of Merchants (1285), provision was made for the registration of debts in important towns and for the attachment of the goods of defaulting debtors by the mayor or sheriff within whose jurisdiction they resided. An insolvent debtor might be imprisoned. The new procedure was not popular. Perhaps it was considered cumbrous and costly. At any rate it was not uniformly followed, for there are many instances of resort to reprisals after this time. If the old method was inequitable, it was at least swift and sure, and until the State could guarantee speedy and certain justice, most merchants would prefer to trust to their gild for the righting of their wrongs rather than to the national courts.

Amongst its own members the gild tried to foster a spirit of helpfulness and mutual goodwill. Gildsmen in distress were assisted by gifts of food and money, and disputes between members were settled by arbitration. The ideal of the gild was an equalitarian one. All members should reach a certain standard of comfort, but none should rise very much above the general level. For maintaining this rough equality, the gild had an admirable instrument in the right of *lot*. Any gildsman who made an advantageous bargain

[1] The right to distrain on the goods of 'foreign' merchants was known as *withernam*.

must share it on demand with a fellow member.[1] With the same object the gild sometimes made collective purchases and shared them out among the members. Medieval social organization was marked by inequality *between* classes but equality *within* classes. It was the general aim of gild policy to conform to this principle.

Overseas Trade.—In the early Middle Ages, the bulk of English overseas trade was in the hands of alien merchants. Conspicuous among these were the *Hansards* or *Easterlings*, who brought to England the products of the Baltic countries and exported wool and later cloth. Merchants from north Germany had visited England since an early period and had gradually acquired important privileges, which were taken over by the Hanseatic League on its formation in the fourteenth century. Amongst these were exemption from liability to 'go to host'; permission to reside anywhere in England and for any length of time;[2] the right to trade retail in certain commodities; and a scale of customs duties not only less than those charged to other aliens but lower than what were paid by English merchants themselves. In addition, the Hansards had a trading depot in London known as the Steelyard.[3] It was situated on the north bank of the Thames on the site now partially covered by Cannon Street railway station and included wharves, warehouses, gardens and residences, the whole surrounded on the landward side by a high wall. The residents (who had to be bachelors) lived in common and submitted to a common discipline but traded each independently. The government of the settlement was in the hands of an alderman and assistants, and an English alderman was appointed to mediate between the German merchants and the English authorities.

Another body of foreign merchants who had a trading depot in London were the *Venetians*. Trade between England and Italy was at first conducted mainly by the overland route, but after 1317 London was visited regularly by the

[1] A gildsman was said to be 'at scot and lot' with his gild, i.e. he had paid his scot or subscription and was therefore entitled to the privilege of lot.

[2] Other aliens were limited to 40 days' residence.

[3] A mistranslation of the Low German *staalhof*, a sample yard.

Venetian trading fleet known as the Flanders Galleys. This was a State fleet. The ships were owned by the government and sailed together under the command of a State admiral. But the cargo space was hired out to private merchants. When the fleet entered the English Channel, it divided into two portions, one heading direct for Flanders, the other touching at various southern English ports and finally berthing in London. There the cargoes of wine, silk and Eastern produce were discharged and the galleys loaded up afresh with wool, skins and cloth. It was mainly by bills drawn on these exports that England paid her dues to the papal treasury during the Middle Ages.

In the later medieval period, native English merchants began to take an increasingly larger share in the overseas trade.[1] It was in the export of wool that English traders first began to establish a footing. The native merchants engaged in this branch of commerce were organized in a company known as the Merchants of the Staple. Literally the word staple means a market, but it came to be applied in a technical sense to a town or port through which trade was compelled to flow for purposes of government inspection or the collection of customs. The wool trade was regulated in this way. English wool could only be exported through certain staple ports. The system grew up tentatively in the thirteenth century and was elaborated in the great Statute of the Staple in 1353. At first there was some hesitation as to whether the staple town should be fixed at home or abroad, but at the end of the fourteenth century, after a period of vacillating policy, it was fixed permanently abroad at Calais, where it remained until the town was lost to the English in 1558.

The merchants who worked the staple system formed a privileged company of about 300 or 400 members, mostly resident in London. They had a monopoly of the export of wool, with the exception of what the Venetians were allowed to transport by sea to Italy and of a little coarse

[1] By the middle of the fifteenth century they had completely outdistanced the aliens in regard to both exports and imports. See the estimate in Power and Postan, *English Trade in the Fifteenth Century*, p. 18.

wool which was exported direct to Flanders from the north of England through Newcastle. But the Staplers' monopoly was not grievous as admission to the company could be secured on easy terms. In the sixteenth century, the prosperity of the company greatly declined. The loss of Calais struck a heavy blow at its organization, and it suffered still more from the shrinkage in wool exports owing to the increasing demand of the native cloth industry for raw material. After 1600 it ceased to be of much importance.

The Staplers formed a *regulated* as opposed to a *joint-stock* company, i.e. the members were subject to common rules and a common government, but each traded separately on his own account.[1] A similar and to some extent a rival organization, consisting also of native merchants, was the Company of Merchant Adventurers. Staplers and Adventurers probably at first formed one body, but with the progress of the English cloth industry, some merchants began to specialize in the export of cloth and ultimately established an exclusive right to deal in this article. These cloth exporters were the nucleus of the Merchant Adventurers, but their growth into a corporate organization was slow. By the beginning of the fifteenth century they had obtained the right to elect a governor and to make regulations for the cloth trade, but they did not become a company in the proper sense till the reign of Elizabeth. At this time, the membership was about 3,500, mostly London merchants.[2] At a number of ports like Newcastle and Bristol, there were groups of so-called Merchant Adventurers, but the relationship of these provincials to the main London body was never definitely determined. They themselves claimed independence, but the London Adventurers maintained that the local groups were merely branches of a unitary company. The Adventurers had a monopoly of the export of cloth and a staple overseas which was fixed at various places like Bruges, Antwerp and

[1] A modern example of such a company is the London Stock Exchange.

[2] See Wheeler's *Treatise on Commerce* (1601), quoted in Tawney and Power, *Tudor Economic Documents*, III, p. 294. Wheeler was secretary of the Company.

Hamburg. Unlike the Staplers, they had the good fortune to deal in an article, the export of which was increasing, and thus they escaped the decline that overtook their rivals. In the sixteenth century, they constituted themselves the champions of English trading interests against the privileged companies of aliens.

Later Developments in Internal Trade.—In the fifteenth and sixteenth centuries, the growth of political security, the improvement in communications and the general increase in wellbeing wrought a transformation in the organization of trade. Two important changes occurred. The market for certain commodities, from being purely local tended to become national. And the general merchant began to give way to the specialized trader. The stages in this evolution can be very clearly traced in regard to *grain.*[1] There had been a time when the medieval village exported little, but with the rise of towns a trade in corn developed between the town and the country. The market, however, remained strictly local. Each town drew its food supply from the villages surrounding it. In this way, the greater part of England became divided into about fifteen local market areas,[2] within each of which there ruled an independent price, and between which little trade took place. The factor which broke up this local market system was the phenomenal growth of the capital. At the beginning of the sixteenth century, London had about 60,000 inhabitants; at its close the population had almost quadrupled; by the middle of the seventeenth century it had nearly doubled again.[3] Previously the city had been able to draw all the corn it needed from its own local market area, the lower Thames valley. Now it had to import grain from abroad, and, more significantly, to invade provincial market areas in search of supplies. In this way, there grew up a larger market area with London as its centre, overlapping or swallowing up a number of local markets. It is not strictly accurate to speak of this as a national market, because it did not cover more than the south-eastern half of England. The term *metropolitan* market has accordingly been invented for

[1] See Gras, *Evolution of the English Corn Market.*
[2] See map in Gras, *op. cit.*, p. 47.
[3] See table in Gras, *op. cit.*, p. 75.

it.[1] In the sixteenth century, London's metropolitan market included the eastern and southern Midlands and the coastal counties from Southampton to Hull. Throughout this region the grain trade was largely focused in the metropolis, which served as a distributing centre for the whole area, and the grain was handled by a new class of specialized corn merchants who went under various names, cornmongers, corn chandlers, badgers, &c.[2]

In other branches of commerce, the same tendency to specialization appeared. The trade in *wool* fell into the hands of wool chapmen or broggers who supplied the cloth producer with his raw material. The wool chapmen performed a real economic service, yet so strong was the prejudice against the middleman that a statute of 1552 forbade any but clothmakers or exporting merchants to deal in wool. This attempt to put back the hands of the clock was an utter failure. The middleman had become an economic necessity. The cloth producer could not do without him, and one after another the cloth-making districts sought exemption from the law. By successive curtailments of the area to which it applied, the statute was practically abrogated.

In the cloth trade also the middleman came to occupy an important position. The bulk of English cloth, except a comparatively small quantity disposed of at local markets, found its way to London. It might be sent there by country drapers who had bought it direct from the clothmaker. Or it might be entrusted by the clothmaker himself to a London 'factor' who sold it on commission. The great London market for cloth was at Blackwell Hall, where the cloth from the provinces was bought up by London drapers who either sent it abroad or distributed it to other parts of England.

The significance of all these developments is that they mark the steady drift from an economic organization based on the town to one based on the nation. The political and economic units in England were tending at last to coincide. The town economy was expanding into a national economy.

Expulsion of the Aliens from Foreign Trade.—The growth

[1] By A. P. Usher. See his *History of the Grain Trade in France*, 1400–1710.

[2] See Gras, *op. cit.*, chap. vii.

of a class of native exporting merchants was bound sooner or later to provoke an attack on the privileges of the aliens. In the sixteenth century, with the growth of national patriotic sentiment, this movement gathered strength. Of the two great groups of foreign merchants in England, the Venetians were the easier to deal with. In the fifteenth century, the trade in Eastern commodities through the Levant and the Mediterranean declined with the opening up of the Cape route to India, and the Venetians found it difficult to obtain cargoes. The visits of the Flanders Galleys to England became irregular and often the ships arrived empty. After 1532 they ceased to come at all, and regular trading relations between England and Italy were broken off. With the Hansards the struggle was more prolonged and bitter, chiefly because the Hanseatic fleet was a factor to be reckoned with. If the League placed its ships at the disposal of England's enemies, the invasion of the island would be greatly facilitated, and England, it must be remembered, was in constant danger of invasion throughout the sixteenth century. This consideration, for long, made the Hansards' position impregnable. An early attempt by English merchants in the fifteenth century to invade the Hansards' preserves in the Baltic was decisively defeated, and the Merchant Adventurers were forced to concentrate on the trade with the Low Countries. But in the late sixteenth century the Hansards began to lose ground. The herring, on which so much of their prosperity depended, mysteriously deserted the Baltic, and internal dissensions steadily weakened the political strength of the League. In 1578, the English government felt itself strong enough to cancel the special privileges which the Hansards enjoyed in England, and in 1597 it took the extreme step of expelling them altogether. The League was still powerful enough to exclude English merchants from Germany, but only for a time. In 1618 Hamburg, itself a Hanseatic town, granted the Merchant Adventurers a trading depot within its walls, and allowed English merchants to obtain the foothold in Germany which they required. The defeat of the League has been lamented by patriotic German historians as a victory for English imperialism over a weak and disunited Germany. It is true that the growth of powerful national states, pur-

suing exclusive economic policies, placed a loose federation like the League at a grave disadvantage in the struggle for international trade. But it is by no means proved that the interests of the League were identical with those of Germany, any more than the interests of the Merchant Adventurers were identical with those of England. It has been argued that the victory of the latter, with the encouragement it gave to restrictive policies, was harmful rather than beneficial to English trade and industry. And similarly there are good reasons for believing that the success of the League in establishing its narrow and obsolete claims would not have been in conformity with the larger interests of the German people.[1]

FURTHER READING.—Lipson, *op. cit.*, I, chaps. v, vi, vii and x; Pirenne, *Medieval Cities*; C. Stephenson, *Borough and Town*; Gross, *The Gild Merchant*; Salzman, *English Trade in the Middle Ages*; Power and Postan, *English Trade in the Fifteenth Century*; Boissonade, *Life and Work in Medieval Europe*, Book II, secs. iv, vi and vii; Day, *History of Commerce*, Pt. II; Bland, Brown and Tawney, *op. cit.*, Pt. I, secs. v and vi.

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[1] For a discussion of these points, see Unwin's essay on the Merchant Adventurers in his *Studies in Economic History*, pp. 133–220.

CHAPTER IX

INDUSTRY AND CRAFT GILDS

Growth of Industry.—Industry is the term collectively applied to the processes which adapt raw materials to man's use. The transformation of wheat into bread, of wool into clothing, of skins into leather, of iron into tools, are typical industrial operations. But by convention the expression is extended to cover the extraction from the earth of certain important minerals like coal, iron and other metals. At the earliest stage, there were no specialized industrial employments. The primitive agriculturist was his own manufacturer, baking his own bread, brewing his own beer, weaving his wool into cloth and shaping the rough garments he wore. This is sometimes described as the stage of *household industry*, or the *family system*. It passed away with the rise of a class of specialized craftsmen. The history of this development is wrapped in almost as much obscurity as the evolution of the merchant class, but there is reason to believe that the earliest professional artisans were serfs on the estates of great feudal landowners. The steps by which these servile craftsmen won their freedom and came to form an important element in the population of the new towns cannot be traced with precision, but the stage which the process had reached by the twelfth century is perfectly clear. By that time there were numerous bodies of craftsmen all over Europe, concentrated mainly in towns, socially inferior to the merchant class, but possessing in their gilds important organs for the defence of their interests. The industry practised by these medieval artisans was on a small scale and for a limited, local market. The master-craftsman worked in his small workshop with the simplest tools, assisted only by a few journeymen and apprentices. His customers were drawn from his own town or its

immediate neighbourhood, and he sold his goods direct to them. There was no intermediary between producer and consumer, nor was there any social gulf such as exists to-day between employers and workmen. Capital played an insignificant part in production; the expense of establishing an independent business was small; and every journeyman passed naturally into the ranks of the master class. Apprentices, journeymen and masters all belonged to the same social grade; they differed only in being at different stages of their career.

The Gild System.—The *gild system* was, so to speak, the *shell* of industry in the Middle Ages, and it is by studying the external organization in which it was incorporated that we derive our chief knowledge of the nature of medieval handicraft. In England, craft gilds made their appearance in the twelfth century, chiefly among clothworkers. The rise of these associations was resisted by the merchants and by the municipalities which they controlled, and foreign observers like Brentano [1] have seen in this opposition a reproduction of the internecine struggle between merchants and craftsmen which forms so important a chapter in Continental municipal history. But in England, it would seem, the contest was concerned with less vital issues. The earliest English gilds were established by royal charter and the gildsmen made this a basis of their claim to be completely independent of the municipalities within whose bounds they resided. Such pretensions were bound to be opposed by the town governments. But when this claim was abandoned, as it was by the craftsmen in most towns round about the year 1300, the municipalities took the craft gilds under their protection, encouraged their formation and delegated to them important duties in connexion with the regulation and inspection of industry. After this time, the gilds were completely under the authority of the town government and were established by municipal edict, not by royal charter. In the later Middle Ages, the town constitutions came to be based on the gilds, and gild membership became the chief avenue to citizenship. The merchant gild declined in importance. In most towns, it either died out altogether or became a merely

[1] See his *Gilds and Trade Unions* (1870).

ornamental body. The merchants, however, still retained their social superiority, only instead of forming one single society, they formed themselves into professional associations, similar to the craft gilds, of which the numerous companies of grocers, pepperers, mercers and haberdashers are examples.

Each trade in a town had its appropriate gild to which important public functions were entrusted by the municipality. The gild fixed prices with the object at once of protecting the consumer and securing to the producer a fair reward for his labour. The reconciliation of these two divergent interests was not considered impracticable in the Middle Ages. The prices fixed corresponded roughly with the cost of production which it was comparatively easy to estimate at a time when output was on a small scale, when overhead charges were negligible, and when each craftsman was responsible for the manufacture of a complete article. In return for a fair price, the consumer obtained a good article. Through the institution of apprenticeship, the gild maintained a supply of efficient workers, and in the gild ordinances, every detail of the industrial process was minutely prescribed. To detect scamped or 'false' work, the gild officials had the right to enter any workshop at any time and inspect the work in process. In order that its control might be effective, the gild enjoyed a monopoly. No craftsman could practise his trade in a town unless he belonged to the appropriate gild. But there was nothing exclusive about this restriction. It was no object of the gilds at this time to shut out qualified craftsmen. Conditions of membership were easy and entry fees small. The ambition of the gilds was rather to bring all the skilled workmen of the town within their jurisdiction.

Many of the gilds had developed out of religious fraternities or 'sodalities' which were very common among laymen during the Middle Ages. Traces of this origin were to be seen in their performance of miracle or mystery plays, in their maintenance of altars and altar lights in parish churches, and in their provision of masses for the souls of deceased members. At the Reformation, these practices were declared superstitious and the religious property of the gilds was secularized in 1547. The 'friendly society' activities of the

crafts were similar to those of the merchant gilds. Many of them accumulated considerable property with which they built almshouses and endowed charitable foundations which survive in some cases to the present day. Like the merchant gild, the craft gild was an equalitarian association, and in this connexion, reference may be made to the provision in most gild ordinances limiting the number of apprentices which a master could take, a restriction designed not so much to protect the apprentice or the journeyman as to deprive the enterprising master of a supply of cheap labour. Stability rather than progress was the ideal of the gild system.

Later Developments in Gild History.—In the fifteenth and sixteenth centuries, the economic conditions on which the gild system rested were largely transformed. The expansion of commerce widened the market for manufactured goods and increased the distance between producer and consumer. The craftsman could no longer market his own products. This function had to be taken over by a merchant-middleman, the craftsman confining himself to manufacturing only. At the same time, the enlarged market increased the scale of production and introduced social and economic distinctions between masters and journeymen and between richer craftsmen and poorer. Finally, with the increased scale of production, a new kind of division of labour became common, which was alien to the spirit of the gild system because it changed the craftsman from the maker of a complete article into one of many contributors to a lengthy industrial process. The gilds had seen nothing to object to in the differentiation of, say, cutlers into knife-makers and scissor-makers, or metal-workers into armourers and spurriers. This was a division of labour based on *final products*. Each craftsman continued to make a complete article. But the subdivision of cloth-workers into spinners, weavers, fullers, dyers, &c., each of whom performed only one *process* in the making of cloth, introduced a degree of disintegration into industry with which the gild system was not adapted to cope. The problem was only solved when the merchant-middleman, who had relieved the craftsman of the marketing function, also made himself responsible for the organization of production and became a merchant-employer, a hybrid type, of which few

examples survive to-day. All these developments revolutionized industrial relationships and transformed the gild system almost out of recognition. Both in their internal organization and their external relations, the gilds underwent important changes.

One significant new development was the growth of a permanent class of journeymen. With the increase in the scale of production, the cost of establishing a business became too much for many journeymen to afford. They found themselves condemned to be journeymen all their lives. This sharp differentiation between capital and labour led to the formation of associations which bore a close resemblance to modern trade unions. The journeymen's societies or yeoman gilds,[1] which became common in the fifteenth and sixteenth centuries, consisted of wage-earners, aimed at obtaining bigger wages and shorter hours for their members, and used the weapon of the strike. The craft gilds and the town authorities waged war on them and a statute of 1548 ordered their suppression. But the history of the relations between merchant and craft gilds repeated itself. After a period during which the yeoman gilds had to fight for their existence, the attitude of the craft authorities changed. They granted legal recognition to the journeymen's associations and made them a subordinate part of the craft organization. The cause of this more conciliatory policy was a change in the programme of the journeymen. The yeoman gilds dropped their 'trade union' demands and asked that their members be recognized as small independent producers. Hitherto the journeymen had usually boarded with their masters. This was very awkward for a man who had to remain a journeyman all his life, for it meant he could never set up house and marry. The journeymen accordingly demanded that they should have separate establishments or be allowed to work at home. The masters were perfectly willing to accede to this request, as many of them had already begun to give up direct manufacturing and confine themselves to the mercantile function. They were quite satisfied that the journeymen should work for them on commission in little workshops of their own. Thus the yeomanry became

[1] Yeoman or valet was the common name for a journeyman.

changed from an irregular association of wage-earners into a society of small industrial masters.

Contemporary with this development, social distinctions were appearing among the masters themselves. The widening of the market gave the abler masters the chance to extend their businesses, and this new class of rich craftsmen was able to monopolize the government of the gild. It did so in a somewhat curious fashion. In the Middle Ages, the practice of wearing liveries or uniforms was very common, and the craft gilds, like other associations, had each their appropriate livery. At first these were inexpensive, so that every craftsman could procure one. But in the fifteenth and sixteenth centuries, more and more costly liveries came to be ordered, so that many gildsmen could not buy them. The poorer craftsman, unable to appear at the gild meetings for want of the prescribed costume, found himself excluded from all share in the government of the gild. Control fell into the hands of the richer craftsmen, the liverymen, who often emphasized the distinction between them and their poorer brethren by forming themselves into an incorporated livery company. A further development took place when most of the liverymen abandoned direct manufacturing and started to give out work to the poorer craftsmen and the journeymen. After the promotion of the journeyman to the position of a small master, the distinction between him and the poorer master-craftsman practically disappeared, and there was no difficulty in absorbing both into the transformed yeomanry. Thus in the end, the craft gild came to consist of two sections, corresponding roughly to the distinction between the mercantile and the industrial function : (*a*) the livery company, composed mainly of rich merchant-employers ; and (*b*) the yeomanry, consisting of small industrial masters who worked on commission for the liverymen.

In some cases, the differentiation between the mercantile and the industrial function took place in another way. The progress of division of labour by processes often resulted in a number of crafts combining to produce a single article. Thus saddlers, painters, joiners and lorimers (leather thong-makers) united to make saddles ; cutlers, bladesmiths and sheathers made knives. In such cases, one craft tended to

take over the mercantile function and to establish an economic ascendancy over the others. The members of the subordinate crafts worked on commission for those belonging to the superior craft, which was generally composed of the workers who came last in the industrial process and sold the finished article to the consumer. Its authority was often recognized by the municipality, which conferred on it powers of inspection and control over the allied crafts. Thus in 1408, the London cutlers were given the right to inspect all sheaths sold in the city, and a little later they obtained a share in fixing the prices of knife-blades, made by the bladesmiths.

These sweeping changes were almost inevitably accompanied by a decline in the old equalitarian gild spirit. The gilds became narrow and exclusive. They imposed onerous conditions on new members, from which relatives of gildsmen were exempt, and Parliament had to interfere in 1536 and limit the amount of entry fees chargeable. The gilds also began to make a selfish use of their public powers, as was mentioned in a statute of 1504, which accused the gilds of issuing ' many unlawful and unreasonable ordinances as well in prices of wares and other things for their own singular profit and to the common hurt and damage of the people '. In future, gild ordinances were to be approved not only by the municipalities, which had apparently been unwilling or unable to check abuses, but by the chancellor, treasurer and chief justices of both benches or by the justices of assizes in their circuits. This is another example of the growing tendency to remove economic control from local authorities to agents of the central government.

The Domestic System.—Within the limits of the gild system, industry could only react in a half-hearted way to the influences set in motion by expanding markets. Released from these restrictions, it evolved an entirely new type of organization, to which is given the name of the *domestic system.*[1] In these fresh developments, the woollen industry led the way.

[1] The term is not a very happy one. Under the domestic system, the craftsman was a domestic worker, but so he was also under the gild system. The name fails to differentiate. The *commission system* or the *putting-out system* are more descriptive terms, but they have not won general acceptance.

It had acquired considerable importance in the later Middle Ages and had even begun to show a certain degree of geographical concentration or ' localization ' in the three districts of Yorkshire, East Anglia and south-west England. Another significant development was the tendency of clothworkers to migrate from the towns to the country districts, a reversal of the natural order of things, as the towns have always been the homes of industry. The motive, of course, was to escape the restrictions of the urban gilds. It was amongst these rural clothworkers that the domestic system grew up. In clothmaking, specialization in processes had proceeded far, until in the sixteenth century it was estimated that fourteen people were required to produce a piece of cloth. Before it reached the consumer, the raw material had to pass through the hands of a series of workers—carders, spinners, weavers, fullers, dyers and shearmen. Obviously some link was required between these scattered craftsmen, and it was supplied by a merchant-middleman called a *clothier*. To begin with, the clothier was usually himself a clothworker, drawn from the first or the last stage of the industrial process. But as his function involved little technical knowledge of clothmaking, the position came to be held by outsiders, who often combined it with other pursuits like farming, sheep-rearing, tanning and brewing. The clothier made himself responsible for the whole process of production. He bought the raw material, distributed it through his agents to the different classes of clothworkers, and marketed the finished product. But he did not actually supervise the making of the cloth. That was done by the domestic worker in his little workshop. The clothier merely inspected and paid for the work when it was finished.

To the working craftsman, the domestic system had the great advantage that it left him in possession of his industrial independence. No foreman stood over him to keep him at his task. But in other ways, his position deteriorated. His commercial independence was gone. Without the middleman, his goods could not reach the consumer. And in bargaining with a large number of scattered workers, the middleman had manifest advantages. He could cut their pay-rates, cheat them over the amount of raw material worked up,

and sometimes pay them in cloth which he could not himself sell, a particularly atrocious form of truck. Moreover, the cloth industry producing for a distant market was liable to fluctuations and the clothworkers suffered at times from unemployment.[1] It is sometimes said that domestic workers had agricultural work to fall back upon when industrial employment failed. But this is not quite correct. The makers of coarse fabrics did sometimes practise a little agriculture in their spare time, but the weaving of fine cloths was too specialized an occupation to be combined with any other. The highly skilled clothworkers had to share with their employers the loss due to seasons of dull trade.

The domestic system is the first clear example of capitalism in industry. It was by means of the accumulated resources at his disposal that the clothier maintained his hold over the domestic workers. Capital had become essential to production, and capital was concentrated in comparatively few hands. To a democracy of free craftsmen, living in roughly equal conditions, had succeeded an oligarchy of small capitalists, holding sway over a mass of impoverished workers. This, in broad terms, is the economic significance of the transition from the gild to the domestic system.[2]

Large-Scale Production.—On the technical side, medieval industry was a system of small workshop production, though there were some notable exceptions. In coal and iron mining and in the various metal industries, large-scale units were the most efficient and were fairly common. In the textile industries also, there were large establishments even before the introduction of power-driven machinery. In the sixteenth century, there is ample evidence that wealthy clothiers like John Winchcombe and Stumpe of Malmesbury were assembling numbers of clothworkers under one roof and profiting by the opportunity thus offered for stricter industrial disci-

[1] These fluctuations were mainly due to diplomatic quarrels between England and the Continental countries which were the chief markets for English cloth. The trade cycle had not yet made its appearance.

[2] The capital in question was mainly mercantile capital. Except the portion which was used to pay the industrial workers for their labour, it was employed chiefly in buying raw materials or marketing finished goods. Industrial capital in the shape of buildings and plant did not become important until the Industrial Revolution.

pline and a more rational co-ordination of effort.[1] But this embryo factory movement came to nothing. Hostile legislation may have had something to do with its failure. The Weavers Act of 1555 limited the number of looms that could be maintained in one house.[2] Want of capital was another handicap. Few clothiers had sufficient funds to erect special factory buildings, and it is significant that most of the early experiments were attempted with disused abbeys and other secularized church fabrics which could be had cheap. The inference would seem to be that while factories had undoubted advantages even before the introduction of machinery, yet these were not sufficient to compensate for the heavy initial cost involved in their erection.

Technical Progress.—In the way of mechanical invention, the Middle Ages had little spectacular to show, but the accumulated effect of a long series of small improvements enabled a considerable degree of progress to be achieved. Two great immigrations of alien weavers in the reigns of Edward III and Elizabeth introduced the art of making worsted cloth into England.[3] In the spinning process, by the sixteenth century, the wheel had been generally substituted for the old rock and spindle. Improvements had also been made in other cloth-making processes. The wooden mallets used to beat fuller's earth and other cleansing and shrinking agents into cloth were attached to poles and worked by water-power. The teazles [4] used to raise the nap of the

[1] For examples, see Lipson, *History of the English Woollen and Worsted Industries*, pp. 46–8.

[2] The Act only applied to country weavers and was meant primarily to discourage the growth of rural at the expense of urban industry. But none the less it would have the effect of checking the growth of factories.

[3] Worsteds are contrasted with woollens. In woollens, the consistency of the cloth is due to the felting of the wool. The wool threads are combed over each other (carded) in order to bring this about. In the case of worsteds, the threads are combed straight out to prevent felting, and then spun into a hard firm yarn. The consistency of the cloth depends on the strength of the warp and woof. Worsteds are considered superior to woollens as they are lighter and reproduce patterns more easily. But woollens are still produced, e.g. tweeds.

[4] The teazle is a plant with a prickly head, still grown for the purpose mentioned here.

cloth were fixed to large cylinders or drums turned by winches and also driven by water. The shearmen whose duty it was to shear away the nap of the cloth began to use iron instruments (shearing-frames) in place of the traditional shears. In the stocking trade, an epoch-making invention was Lee's knitting frame (1589) which exactly reproduced the movements of the hand-knitter and could be used to make both woollen and silk stockings. An industry which had been mechanized from an early date was corn-grinding. Domesday Book records 5,000 watermills in England.[1] In the iron industry, some notable advances were made. Power was used to work the bellows that blew air into the smelting furnace, and the crude metal was beaten out with hammers worked by water-power. In general, however, industry until the Industrial Revolution was marked by the relatively small importance of the technical aids to production. Machines had not to any extent taken the place of tools in the industrial process, and the manual skill of the craftsman was still of primary importance.

FURTHER READING.—Lipson, *Economic History*, chaps. viii and ix; Ashley, *Economic History*, Pt. II, chaps. ii and iii; Gras, *Industrial Evolution*, chaps. i–vii; Unwin, *Industrial Organization in the Sixteenth and Seventeenth Centuries*, chaps. i–iv; and *Gilds and Companies of London*; Renard, *Guilds in the Middle Ages*; Salzmann, *Medieval English Industries*; Boissonade, *Life and Work in Medieval Europe*, Bk. II, chaps. v and vii; Bland, Brown and Tawney, *Select Documents*, Pt. I, sec. v, and Pt. II, sec. ii.

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[1] Windmills were less common. They were not introduced into Europe much before the twelfth century.

CHAPTER X

ECONOMIC OPINION IN THE MIDDLE AGES

The Medieval Standpoint.—In the Middle Ages, the scientific study of economic phenomena was practically unknown. By scientific study is here meant the impartial investigation of facts, and their combination into generalizations or laws, without any attempt to pass judgement on them from the moral standpoint, or to suggest ways in which they may be modified in practice. In brief, the object of the scientist is to discover 'what is' in contrast with 'what should be' or with 'what might be'. In every department of knowledge, this scientific attitude developed late. In economics it did not appear till the eighteenth century. Prior to that, economic speculation was always directed towards some practical end, either to discover means by which man's wealth-producing capacity might be augmented, or else to adjust economic behaviour to the requirements of an ethical standard. It was the second of these motives that prevailed in the Middle Ages. Economic practices were approved or condemned according as they agreed or disagreed with the principles of Christian morality. On such questions, the Church, of course, was the final arbiter, and its economic teaching, embodied in the Canon Law or in such authoritative statements of Christian doctrine as the *Summa Theologica* of St. Thomas Aquinas (1225–75), was a powerful influence in moulding contemporary opinion and practice.

The Church and Property.—Economic teaching based on a religion which emphasizes the corrupting influence of riches and the spiritual blessings of poverty [1] has inevitably some

[1] 'According to the rule of the Gospel, the absence of wealth is, as such, a more blessed and a more Christian state than the possession of it.' Newman, *Parochial and Plain Sermons*, Vol. II, p. 347.

superficial resemblance to schemes of socialism and communism. In the economic pronouncements of the early Christian Fathers, this likeness is very noticeable. From their writings, indeed, it has been said, 'it would be possible to cull a nosegay of explosive aphorisms which might make it appear that Moscow was their spiritual home'.[1] But the impression thus obtained would be misleading. The early Fathers were not communists, except in so far as they were unworldly men who despised riches. And where specific statements can be cited from them in favour of community of goods, these must be taken as referring to the ideal state of nature which preceded the sin of Adam. In a wicked, fallen world, property is a necessary institution. It grows out of man's avarice and greed, yet helps to keep these evil passions in check. To this general justification, Aquinas added arguments drawn from Aristotle. Private property is not contrary to natural law, as the early Fathers had asserted. Admittedly it is not directly sanctioned by the law of nature, but it is the creation of the State, which is itself a natural institution. It is something which human reason has added to nature.

In this way, the Church acknowledged the rights of property-owners, but at the same time it laid stress on their duties. The rich are merely stewards of their wealth for the poor. Almsgiving is an act of justice, not of charity. The wealthy man who does not distribute his superfluity to the needy is guilty of a grave sin. He must retain no more wealth than is necessary to maintain him in his social position. In a significant passage, Aquinas declares that the poor may steal what they require if the rich fail to do their duty. Private property is lawful, but no purely human law can override a divine law, and God undoubtedly meant the earth to feed all its children. In the last resort, so far as their use is concerned, all things are common.

Just Price.—The Church aimed at establishing economic justice in a world in which exchange was assuming an ever larger place. Its teaching therefore with regard to prices acquired special importance. Briefly, the Church taught that for any commodity at any particular time and place, there was some one just price which was fair to both buyer and

[1] Gray, *Development of Economic Doctrine*, p. 47.

seller. This price was not unchangeable. It might differ from place to place and over periods of time. But there could not be two just prices for the same article at the same time and place. We have already observed the practical application of this doctrine by municipalities and gilds. The just price was such as to cover cost of production, including a fair reward to the producer for his labour, which was interpreted to mean a remuneration sufficient to keep him in the social position in which God had placed him. The clear-cut division of men into ranks and classes and the recognized conventional ideas as to the standard of life appropriate to each were of great assistance to medieval administrators in fixing reasonable prices. Indeed, Aquinas held that common opinion would in ordinary cases be a sufficient guide to the *justum pretium*. Even if the actual rates fixed were not always in accordance with abstract justice, they must at least have been effective in preventing outrageous profiteering. The exploitation by sellers of an economic situation momentarily favourable to them was not sanctioned by medieval ethics. Wealth ought to be the reward of service. The mere fact that an article was scarce was no reason why its owner should be allowed to bleed the community.

This attitude accounts for much of the distrust with which the Church regarded trade. To resell a commodity at a higher price than had been paid for it, without altering its shape or nature, seemed to the medieval mind a most flagrant piece of profiteering. It took some time to realize that the merchant performed a real service by bringing commodities within reach of the consumer. In the end the Church gave a reluctant sanction to trade.[1] But suspicion of the merchant remained. The Church in general disapproved of unearned incomes,[2] and it was not always easy to believe that the

[1] 'Trade is rendered lawful when the merchant seeks a moderate gain for the maintenance of his household or for the relief of the indigent; and also when the trade is carried on for the public good in order that the country may be furnished with the necessaries of life, and the gain is looked upon not as the object but as the wages of his labour.'—St. Thomas Aquinas, quoted in Ashley, *Economic History*, Pt. II, p. 391.

[2] There were exceptions, e.g. rent-charges, though some of the stricter churchmen condemned even these.

huge profits made in commerce were legitimate rewards for services rendered by the trader. It was only lately, it must be remembered, that the professions of merchant and bandit had been separated. Accordingly the Church emphasized that the trader must not make gain his chief object ; he must be content with moderate profits and must not seek to pile up riches. To accumulate wealth beyond one's necessities was to be guilty of the deadly sin of avarice.[1]

Usury.—In a broad sense, this term was applied to any ill-gotten or unjustifiable gain, so that from one point of view the Church's prohibition of usury may be regarded as the centre of its economic teaching. But it was more specifically applied to the taking of interest on loans, and in this sense the Church's condemnation may be considered an application of its doctrine of just price, the reasonable price of a loan being the original capital advanced and no more. The taking of interest was forbidden to the clergy in the fourth century and to the laity in the eighth and ninth. The expansion of trade after the Crusades multiplied temptations to ignore this restriction and the Church took steps to make its condemnation more emphatic. Usury ceased to be merely a sin against charity and became a sin against justice. In 1311, the Council of Vienne declared all secular legislation in its favour null and void.

The Church's motives were a desire to protect debtors against ruthless creditors and to discourage a form of unearned income which made it possible to live without labour. It would have been well if churchmen had based their condemnation on these practical considerations alone. But they sought to formulate a philosophical justification of the prohibition of usury and in so doing opened the way for evasions which ate away the core of the doctrine and left nothing but an empty shell. In the Roman or civil law, the study of which spread over Europe from the eleventh

[1] 'He who has enough to satisfy his wants and nevertheless ceaselessly labours to acquire riches, either in order to obtain a higher social position or that subsequently he may have enough to live without labour, or that his sons may become men of wealth and importance —all such are incited by a damnable avarice, sensuality or pride.'—Henry of Langenstein, (1325–97), quoted in Tawney, *Religion and the Rise of Capitalism*, p. 35.

century onwards, a distinction was made between the *commodatum*, a loan of something not destroyed by use like a house, and the *mutuum*, the loan of something consumed in use like corn, of which only an equivalent quantity could be returned. Commodities of this latter type were called *fungibles*. In the case of a *mutuum*, the ownership of the thing transferred passed to the borrower and the transaction was equivalent to a sale. The civilians held that money was a *fungible* and its loan a *mutuum*, and the Church took over both these conceptions. A loan was the sale of a *fungible*, and the just price was the return of the money advanced. To demand more was like selling a man a loaf and then charging him for the use of it. On the other hand, the owner of money invested in an enterprise of which he shared all the risks, might legitimately claim a share in the profits. The fact that he shared in the risks was proof that he had not parted with the ownership of his capital. The transaction was not therefore a sale and the question of charging two prices for a single commodity did not arise. The investor obtained his profits, but he could not demand back his capital if the business became insolvent. In this way, sleeping partnerships were sanctioned and a method provided by which trade could obtain a supply of capital. Sharing the risk was the acid test which decided whether a loan was usurious or not.

No doubt it seemed a clever move to churchmen to borrow a weapon from the armoury of their opponents, for interest was allowed in the civil law and the early civilians were critics of the Church's teaching on this subject. But the consequences were unfortunate. In the first place, the Church was led to base its case against usury on a legal conception that had no relation to reality. The exchange of money for money is no more a sale than the exchange of corn for corn, where equal quantities and qualities are involved. Neither transaction has any meaning. Worse still, the Church's oversubtle theory presented endless opportunities for casuistry, and exception was added to exception until nothing remained of the prohibition of usury but the bare principle. If, for example, a loan were a sale, justice demanded that the seller should be indemnified for any loss incurred through failure

of the debtor to pay up at the stipulated date. An additional charge could therefore be made on the ground of *damnum emergens* (loss emerging). This argument might be extended and compensation claimed for lost opportunities of gain (*lucrum cessans*). Churchmen were very unwilling to concede this latter plea ; the opportunities for profitable investment were so rare in the Middle Ages ; but by the fifteenth century, it was generally allowed. The creditor had now only to lend his money gratuitously for a short period, after which he could charge what interest he liked. Even this waiting-period was rendered unnecessary by a further refinement in dialectic. It was discovered that an agreement for the payment of a fixed low rate of interest with the return of the capital at the expiry of the loan could be resolved into three separate contracts, each of which was lawful if made with a different person, namely, a partnership, an insurance contract against loss of capital, and a similar insurance against fluctuations in profits. Why, then, were these agreements not legitimate when made with one person ? This was the theory of the *triple contract* which justified the taking of interest from the very beginning of the loan.

The Reformation brought a temporary interruption to this process which was gradually emptying the Church's doctrine of its content. The Reformers claimed to be restorers of primitive Christianity and they revived the earlier unqualified condemnations of usury. Catholics could not afford to be behindhand, and in 1585, Pope Sixtus V condemned the theory of the triple contract.

But by the sixteenth century, changes in the general economic situation were robbing the Church's teaching of much of its point. In the Middle Ages, loans had been mostly for *consumption*. They had been contracted by ruined peasants or impoverished landlords to tide over seasons of distress. Charity demanded that such loans should be made gratuitously. But in the sixteenth century, loanable capital was demanded for *production*. The borrower was a business man who used it to earn profit. He did not need or desire protection, and he resented the attempts to control interest as tending to limit the supply of loanable capital. In these circumstances, it was not long before the process of paring

down the usury restrictions was resumed. The Jesuits found means of explaining away Pope Sixtus' bull and invented methods of evading the usury laws which will be found described and criticized by Pascal in the eighth of his *Provincial Letters*. On the Protestant side, Melanchthon and later Calvin recognized the lawfulness of moderate interest, provided it was not exacted from men in need, and the great classical scholar Salmasius provided a general justification of interest-taking.[1] By the middle of the seventeenth century, if not earlier, usury had acquired its modern meaning of excessive interest, what constitutes excessive being left to the conscience of the individual lender.

The attempt to abolish or control interest on religious grounds has been now almost entirely abandoned. The topic has long ceased to engage the attention of Protestant theologians, and on the Catholic side, the main concern is to rebut any charge of inconsistency between the earlier and the later teaching of the Church on this subject. Money, it is argued,[2] has to-day two values: its ordinary exchange value against commodities, and a second value which it derives from its power to bring the owner a revenue. Interest is a just payment for this second value. It was not allowable in the Middle Ages, because opportunities for profitable investment were few and money did not possess this certain revenue-earning capacity. This reasoning, based on the old conception of a loan as a sale of money, evades the objection to interest as unearned income, which was at least one ground of the medieval Church's condemnation of usury.

To the lay mind, the gradual whittling down of the usury restrictions appears merely an illustration of the difficulty of formulating a rule to cover all possible cases. Medieval usury laws were intended to protect poor debtors, but they acted as restraints on trade. Modern legislation has removed the handicap to trade, but has left debtors at the mercy of creditors. The ideal solution is that given by Bacon in his essay on *Usury*, a low legal rate of interest for consumption-

[1] Salmasius (1588–1653) is chiefly remembered as the controversial opponent of Milton. His vindication of interest induced the Dutch Calvinistic Church to admit moneylenders to the sacrament.

[2] See the articles on *Interest* and *Usury* in the *Catholic Encyclopedia*.

loans and a higher rate for business-loans. Unfortunately, two rates of interest are not practicable in a competitive capital market. A partial remedy has been found in laws like the British Moneylenders Act of 1900, which imposes restraints on creditors when their rapacity passes certain limits. The law courts have the power to revise a loan contract where the interest rates are excessive and the conditions harsh and unconscionable.

FURTHER READING.—Gray, *Development of Economic Doctrine*, chap. ii; Ashley, *Economic History*, Pt. I, pp. 124–63, and Pt. II, chap. vi; O'Brien, *Essay on Medieval Economic Teaching*; H. M. Robertson, *Aspects of the Rise of Economic Individualism*; Brodrick, *Economic Morals of the Jesuits*.

CHAPTER XI

MONEY, MONEYLENDING AND PUBLIC FINANCE

The Currency.—England's currency throughout the Middle Ages was based mainly on silver. Gold coins circulated, but never in sufficient quantity to perform more than a fraction of the work of exchange. For long the only coin in current use was the silver penny, dating from the eighth century. It was the 240th part of a pound of silver and weighed at the Norman Conquest, 22½ grains troy.[1] In appearance, the silver penny was something like a modern sixpence, only thinner and lighter. It was roughly minted, which made clipping and counterfeiting easy. This explains the chronically wretched condition of England's currency in the Middle Ages. So long as the bad money was not called in, it was useless for the government to try the remedy of partial recoinages. By the action of a well-known economic law [2] the bad money simply drove the good out of circulation. The full-weight coins issued from the mints were selected for melting down or export. The bad money continued to circulate, since unless it was so bad as to be detected, it was as effective for internal purchases as the good money. Another source of defective coins was the dishonesty of the moneyers, whom it was very difficult to control, as they worked in little mints scattered over the country. Not until the close of the seventeenth century were all minting operations concentrated in London.

Though the silver penny was practically the only coin

[1] The 240th part of a troy pound is 24 grains. But the currency pound, called the Tower pound from the mint established in the Tower of London, was about $\frac{1}{16}$ lighter than the troy pound.

[2] Gresham's law, called after Sir Thomas Gresham, an Elizabethan financier, who, however, was not really its discoverer.

in circulation, other monetary units were used in keeping accounts, such as the mark (13*s.* 4*d.*), and the pound and the shilling. Actual pounds and shillings, however, were not coined till the reign of Henry VII. The mark, a unit of Danish origin, was never coined in England.

Attempts to put gold coins into circulation were made but with little success. Henry III coined gold pennies valued at 1*s.* 8*d.*, but they were soon withdrawn. Edward III had better success with his gold florins and nobles, worth 6*s.* and 6*s.* 8*d.* respectively. These coins actually did circulate, but they were never popular. At the low level of prices then prevailing, few persons had any use for coins of such high value. Later gold coins were Edward IV's angel (6*s.* 8*d.*), Henry VII's sovereign (20*s.*) and Henry VIII's crown (5*s.*).

During the later Middle Ages, the weight of the silver penny was steadily reduced. By 1412, it was only 15 grains; by 1544, 10 grains. This was due mainly to the shortage of silver, which became acute in Europe after the thirteenth century. If the nation was to be supplied with the additional currency which it needed in view of the growth of population and the general expansion of economic activity, less silver would have to be put into the standard coin. Otherwise the scarcity of money would send up its value, or, in other words, prices would fall, with depressing effects on trade and industry. By successive devaluations of the penny, the government averted this danger, and the nation seems to have acquiesced. The currency was not really debased, though superficially the process resembles debasement. It was 'managed' in order to stabilize prices. Debasement in the real sense did not come till the reign of Henry VIII. Henry was the first monarch to alter the *fineness* of the coinage. By successive stages, he raised the percentage of alloy from 7·5 to 66·33. His son, Edward VI, raised it to 75 and reduced the weight of the silver penny to 8 grains. The addition to the circulating medium which these measures made possible had its inevitable effect on prices. Between 1541 and 1551, the price level rose roughly 100 per cent.

The reformation of the coinage was taken in hand by Elizabeth, who carried through the first general recoinage

in our history (1561). The base coins were called in and paid for at their metallic value. From the silver thus obtained, fresh coins were struck of the old fineness though not of the old weight.[1] The sum paid for debased money was £638,113 15*s.* 6*d.*; it was coined into £733,248; and after deducting the expenses of collection and reminting, the Queen was left with a clear profit of over £45,000. The measure was a salutary one. Henry VIII and Edward VI had issued coins of the same face value but of varying metallic content. These were now replaced by a standard, uniform coinage. The deflation which might have been expected to follow a restoration of the coinage to its old standard of fineness did not take place, probably because the supplies of silver from the New World were now beginning to make their influence felt. Silver fell in value and silver coins could purchase less, so that prices were no lower in 1564 than they were in 1558, despite the higher metallic content of the silver penny. During the rest of the century, the price level showed a steady upward tendency.

Moneylending.—The Church's prohibition of usury had the effect of throwing the business of moneylending into the hands of non-Christians, of whom the only representatives in medieval England were the *Jews.* The legal status of the Jew was that of a villein. The king was his lord and could tallage or tax him at will, a right which was frequently and mercilessly exercised. Normally, the Jews contributed about a twelfth of the king's revenue, and on special occasions they were mulcted in large sums. Henry II took £60,000 from them for a crusade, the rest of the nation contributing only £70,000. Against the king, the Jews had no legal rights, but they were by no means defenceless against his subjects. If the king liked to pillage the Jews himself, he had no mind to share this privilege with any one else. The royal protection was usually a sufficient safeguard against ill-treatment. What the Jews had chiefly to fear was a sudden outbreak of mob violence. Insolvent debtors sometimes organized

[1] The silver penny was kept at 8 grains and shillings in proportion. Silver pennies continued to be issued for general use down to 1666, and since then a small number have been minted annually for distribution as part of the king's bounty to poor people on Maundy Thursday.

attacks on the Jewries, murdered their creditors and destroyed evidence of their debts. These incidents involved the royal revenue in loss as well as the Jews, and the king took steps to prevent them. In 1194, local registries were established in important towns at which all contracts for loans were to be drawn up before officials known as chirographers, and a duplicate of each bond was to be deposited in sealed chests (*archae*) with triple locks. This arrangement deprived a debtor of any advantage he might hope to gain from the murder of his creditor and the burning of his bonds. Evidence of the debt remained in the chirographer's office and payment was exacted by the king, who in law was the dead Jew's heir. The arrangement was useful in another way. By inspecting the bonds in the *archae* the king could form a reliable estimate of the wealth of the Jewish community and adjust his taxation accordingly. In 1198 a special Exchequer of the Jews was established, subordinate to the Royal Exchequer, to deal with all financial, administrative and judicial matters affecting Jews.

The Jews made little contribution to the economic development of medieval England. They supplied capital, it is true, but capital mainly for consumption, not for use in production, and their chief clients were extravagant or impoverished landowners. Their interest rates, usually 2*d.* weekly in the pound or 42 per cent., were too heavy a charge to be borne by any business enterprise. The Jews are to be compared not with modern bankers but with the pawnbrokers or professional moneylenders of to-day who prey on the needy or the improvident. Their chief importance, indeed, was as a branch of the royal revenue. In this connexion they have been compared to a sponge which soaked up the wealth of the nation only to be squeezed dry into the coffers of the king.

Growing anti-Semitic feeling in the later thirteenth century at length compelled the king to withdraw his protection from the Jews. In 1274 they were forbidden to practise usury and in 1290 the whole community (about 16,000 souls) were forcibly deported. Not until 1656 was the legal ban on their residence in England removed.

After the departure of the Jews the business of moneylending passed into the hands of Italian or French merchants,

the Lombards and the Caursines.[1] Though Christians, they had no difficulty in evading the Church's prohibition of usury and they were sure of the Pope's protection as they were the chief collectors of the papal revenues. Englishmen began to dabble in moneylending in the fourteenth century. At first there were few professional moneylenders. Any one with funds put them out to interest as occasion offered. But in the sixteenth century the members of three trades became particularly active as financiers: the cloth merchants, the scriveners (an inferior grade of lawyers) and the goldsmiths. Their operations were greatly facilitated by the relaxation of the laws against usury. In 1545, interest not exceeding 10 per cent. was made lawful. But public opinion was not ready for this change, and the statute was repealed in 1552. It was re-enacted, however, in 1571 and this time the breach with former practice was permanent. The prohibition of usury was restricted to interest deemed excessive. The maximum legal rate was reduced to 8 per cent. in 1624, to 6 per cent. in 1651 and to 5 per cent. in 1714. The restrictions on usury were not finally swept away till 1854.

Public Finance.—In the Middle Ages, a much smaller proportion of the royal revenue was raised from taxation than now. The king was a large landowner, the largest in the kingdom, and he drew a substantial income from rents, feudal dues, profits of jurisdiction, &c. For the ordinary expenses of government this, it was considered, should be sufficient. In the current phrase, the king should live of his own. Taxation should only be resorted to in cases of special emergency. In considering the chief medieval taxes, this point of view must be kept in mind. Taxes were not regarded, as they are now, as normal and necessary methods of raising revenue, but rather as irregular and almost unjustifiable financial expedients, only to be applied in very exceptional circumstances.

In agrarian communities the earliest taxes are land taxes, and the first important tax of this kind in England was the *danegeld.* Imposed originally to raise a tribute for the Danes, it was taken over by the Norman kings. To provide a

[1] The Caursines may have been inhabitants of Cahors in France or Caorsa in Italy. Dante placed them in hell in the same circle as the inhabitants of Sodom.

proper basis for its assessment William the Conqueror ordered the survey of England contained in Domesday Book (1086). Thereafter he levied a geld of 6*s*. on the hide (about 120 acres). As the hide on an average was worth only 20*s*. a year, the tax was a very heavy one, but it was not imposed annually until the reign of Stephen, and by that time its weight had been sensibly lightened by the obsolete assessment on which it continued to be levied. A fresh survey of the kingdom was ordered in 1198 and a rate of 5*s*. was imposed on each ploughland or *carucate* (about 100 acres). Under its new name of *carucage*, the tax survived into the next century.

The other important land tax of medieval England was *scutage*. Originally a payment in lieu of military service, it developed into a regular tax of 20*s*. on the knight's fee (an estate worth £20 a year), though it was only levied at uncertain intervals. John, however, took a scutage nearly every year and at the increased rate of first 2 and then 3 marks, until his extortionate finance drove his barons into revolt. In Magna Carta (1215) it was provided that no scutage should be taken without the consent of the common council of the realm, but in subsequent issues this clause was omitted. The tax continued to be levied at irregular intervals down to the fourteenth century.

Taxation of *movables* was not introduced until the close of the twelfth century. In 1188, Henry II took a tenth of his subjects' goods for the purpose of a crusade, the so-called Saladin tithe. By his successors, this method was used to raise revenue for secular purposes. At first the proportion of goods taken varied, but it finally settled down at a tenth for towns and a fifteenth for rural districts. This was the origin of the tax known as the *tenth and fifteenth*. The liability of each taxpayer was fixed by a jury of his neighbours, but after 1334 this method was abandoned and the assessment became stereotyped. A total sum, about £39,000, was fixed as the anticipated yield and this was distributed amongst the different taxpaying districts. The tax thus ceased to be a proportional one and became what is sometimes called an allotted tax.[1] To supplement the tenth and fifteenth a

[1] In a proportional tax, the proportion is certain, the yield uncertain. With an allotted tax, the reverse is the case.

new tax was introduced under the Tudors called the *subsidy*. To begin with, it was a proportional tax on lands and movables, but it went the same way as its predecessor. Annual reassessments were abandoned; the yield of the tax was fixed in advance; and the subsidy in course of time became merely a fiscal expression for £80,000.

On a few occasions, taxes on persons were tried in England. The first *poll* or *capitation* tax was imposed in 1377 at a flat rate of 4*d*. The yield was disappointing, and in 1379 the government tried to differentiate the tax according to income. The results were no better and in the following year a return was made to the method of the flat rate, which was now raised to 1*s*. To protect himself against this very heavy charge, the taxpayer resorted to systematic underassessment, so much so that the suspicions of the government were aroused and commissions sent round the country to investigate. It was the alarm and resentment caused by the visits of these commissioners that were the immediate cause of the Peasants' Revolt in 1381. A poll tax was not tried again until 1513. Between this date and 1698, it was resorted to on a few occasions, but the yield was always disappointing. Poll taxes never obtained a permanent place in our taxational system.

Indirect taxation was represented chiefly in the Middle Ages by the customs duties, levied on England's principal exports —wool, skins, leather, lead, &c. In the thirteenth century, a customary tariff grew up known as the Ancient Custom, though the king at first refused to be bound by it. After the Confirmation of the Charters in 1297, however, all duties above the customary rates had to be approved by Parliament. The king interpreted this restriction as applying only to natives and he imposed on foreign merchants a heavier tariff known as the New or Petty Custom. Parliament resented this because, in return for their heavier duties, the aliens obtained valuable trading privileges in England, but, after a long controversy, the new tariff received parliamentary sanction in 1353. Duties above the recognized rates were allowed by Parliament as necessity arose, in particular a special duty on wine known as *tunnage* and a duty on general goods known as *poundage*.

The king's revenue was administered by the Royal Exchequer, of which an account is given in the *Dialogue of the Exchequer*, written about 1176 by a former Treasurer, Richard Fitz-Nigel, Bishop of London. Doubtless there was some kind of royal treasury in Saxon times, but the elaborate organization described in the *Dialogue* was due to the Norman kings. The Exchequer held two important meetings a year, in spring and autumn, which were attended by the king's chief tax-collectors, the sheriffs. In the upper exchequer, the sheriffs' accounts were audited, calculations being made by means of counters on a squared or *chequered* table. The balance due was paid into the lower exchequer, where elaborate precautions were taken to prevent payment in light or debased coin. Receipts were issued in the form of *tallies*, wooden sticks a few inches long, on the sides of which notches were cut to represent sums of money. The tally was afterwards split down the middle through the notches, one half being given to the payer and the other retained by the payee. The whole financial operations for the year were entered by the Treasurer and his scribes on a document known as the Pipe Roll, of which the earliest surviving example dates from 1130. From the beginning of Henry II's reign we have an unbroken series of these annual financial statements.

Further Reading.—Feavearyear, *The Pound Sterling*, chaps. i–iv; Hyamson, *History of the Jews in England*, chaps. ii–xii; Jacobs, *The Jews of Angevin England*; Tawney, *Introduction to Wilson's Discourse upon Usury*; Dowell, *History of Taxation in England*, Vol. I; J. H. Ramsay, *Revenues of the Kings of England*, 1066–1399; Dietz, *English Government Finance*, 1485–1558; and *English Public Finance*, 1558–1641; Bland, Brown and Tawney, *op. cit.*, Pt. I, secs. iii and vii.

CHAPTER XII

THE STATE AND ECONOMIC REGULATION

National Control.—As the reader will already have observed, the regulation of economic activity in the Middle Ages was left mainly to local authorities, to municipalities, gilds and manorial courts. But England had long enjoyed political unity and from the first some economic duties were undertaken by the central government. The control of the currency and of the tariff are early examples, and later, the regulation of wages under the Statute of Labourers (1351). Other instances are the attempt to secure uniform weights and measures by the Assize of Measures (1197); the provision (in the same Assize) for the certification by officials called *aulnagers* of the size and quality of cloth offered for sale; the regulation by the Assize of Bread and Ale [1] of the weight of the farthing loaf and of the price of beer; and finally the statutory prohibition of the monopolistic practices of *forestalling, engrossing* and *regrating.*[2] Down to the sixteenth century, however, State interference in economic affairs was the exception. It was not until a national economy began to supersede the town or local economies that the central government took over the main work of industrial regulation. This is what gives the economic legislation of the Tudors its chief importance. Tudor economic statutes did not contain much that was original. On the contrary, they usually

[1] Of uncertain date, but certainly not later than the thirteenth century.

[2] In a statute of Edward VI, forestallers are defined as 'persons buying goods or victuals on their way to a market'; regrators as 'persons buying corn or other victuals and reselling the same in the same market-place'; and engrossers as 'any buying growing corn or any other corn, grain, butter, cheese, fish or other dead victual with intent to resell the same again'.

copied expedients which had already been in common use by the local authorities. But they applied to the whole kingdom rules which had hitherto been enforced only locally, and in this way they reflected the economic revolution in progress in sixteenth-century England. Two of these Tudor statutes call for special mention, the Statute of Apprentices (1563), and the Poor Law (1601).

The Statute of Apprentices.[1]—This great labour and industrial code dealt chiefly with three things: (*a*) wages; (*b*) apprenticeship; and (*c*) general industrial regulation.

(*a*) State regulation of wages had begun with the Statute of Labourers (1351) and was continued in later labour statutes. In 1351, Parliament fixed a uniform wage-rate for the kingdom, but in 1389, the new magistrates, the justices of the peace, were allowed to fix wages locally, subject to a statutory maximum. In the labour statutes of the fifteenth and sixteenth centuries, the statutory maximum was retained, though the steady rise in prices always tended to render it obsolete, provoking complaints from wage-earners and magistrates alike. The chief innovation made by the Statute of Apprentices was the abolition of the statutory maximum. In future the justices were to have a free hand. Still, it must always be remembered that the rates fixed by the justices were maximum not minimum rates. Tudor Parliaments were more concerned to protect employers against excessive demands for wages than to safeguard the labourer against exploitation. The purpose of the statute is entirely misconceived if it is thought of as a minimum wage act.[2] In one industry, however, the oppressive power of capital was beginning to make itself felt, and it was realized that wage-earners might require protection. This was the cloth industry. Accordingly, by an amending act of 1604, the wage rates for clothworkers were made *minimum* rates and clothiers were forbidden to take part as justices in fixing wages for the woollen industry.

[1] The main provisions of this statute will be found reprinted in Bland, Brown and Tawney, *op. cit.*, pp. 325–33.

[2] The penalty for paying wages higher than the legal rate was ten days' imprisonment with a fine of £5; for receiving the same, twenty-one days' imprisonment.

(*b*) The Statute made a seven years' apprenticeship compulsory for all workers in town and country, thus extending the London custom to the whole kingdom. It also restricted the entry to certain trades. Admission to the lucrative mercantile crafts of clothier, draper, mercer, goldsmith and ironmonger was reserved to men of wealth. In a corporate town, only the sons of forty-shilling freeholders could be apprenticed to such trades ; in market or unchartered towns, only the sons of sixty-shilling freeholders. The distinction was intended to confer a slight advantage on the corporate towns. Another restriction, imposed in the interests of agriculture, compelled the son of a farm-labourer to follow his father's calling. In the clothmaking, shoemaking and tailoring trades, a master who had three apprentices must employ one journeyman, and for every additional apprentice an additional journeyman. In these trades, the tendency of enterprising masters to expand their businesses was showing itself and the restriction was intended to apply a brake to their activities.

(*c*) In its other clauses, the Statute established what can only be described as a system of industrial conscription. Every one under 30 years of age or unmarried must work at the calling to which he had been trained, if any master demanded his services.[1] Further, all able-bodied men were made liable to serve as farm labourers, unless they could show that they were employed in some other trade or possessed sufficient means to live without working. In harvest time, even artisans could be compelled to assist in agriculture. Then, for thirty named occupations, the term of service was fixed at a year, with three months' notice on either side. Workers leaving their parish for any reason must carry with them a certificate of character from the constable and two responsible householders, without which they could not obtain fresh employment. The working day was fixed between the hours of 5 a.m. and 7 p.m. or 8 p.m. in summer, and from dawn to dusk in winter, with an interval of not more than 2½ hours for meals.

The object of these regulations was, in Burghley's phrase, ' by awe of law to acquaint men with virtue again '. Disci-

[1] This provision was restricted to thirty specified occupations.

plinary measures were required to teach habits of order and industry to the large tramp population infesting the English roads. On the other hand, the provisions designed to procure a plentiful supply of labour for agriculture had little relevance in an England which had inherited from the Enclosure Movement an acute problem of agricultural unemployment. They were repeated from earlier laws, applying to a totally different situation. As a whole, the Statute illustrates the hold which medieval ideals still had over the minds of legislators, and their desire to stabilize and consolidate a society shaken to its foundations by the shock of economic changes.

The Poor Law.—Prior to the Reformation, the main agencies for the relief of the poor in England were private charity, the gilds, the municipalities and the Church. Christianity laid stress on the duty of almsgiving, and rich persons distributed regularly large sums to the poor; the gilds, both the industrial and the religious gilds, relieved the wants of their needy members; and the municipalities gave assistance to the poorer inhabitants of towns. But the main channel through which the poor obtained relief in the Middle Ages was the Church. At one time there was in each parish a poor fund financed from the tithes. By ancient custom a certain part of the tithe was set aside for this purpose, and the practice was confirmed by a law of Ethelred in the eleventh century which declared a third of the tithe to belong by right to ' God's poor and needy men in thraldom '. But the parish poor funds did not long survive. In most parishes, the ownership of the tithes passed into the hands of a non-resident parson or rector, a bishop, an abbot or even a layman, who generally refused to give any help to the poor of the parish from which he drew his revenues, while the resident vicar could afford nothing from his meagre stipend. Thus, in the Middle Ages, the Church's system of poor relief ceased to be parochial and became institutional; that is, it was administered through central institutions like monasteries or hospitals. These had the disadvantage of being scattered unevenly over the country, some districts being rich in such institutions, others having none at all. And there was the further drawback that the monasteries distributed

their charity with little discrimination, so that often the only result was to breed an idle vagrant class, who, in Fuller's quaint phrase, 'accounting the abbey alms their own inheritance, served an apprenticeship and afterwards wrought journey work at no other trade than begging'. With all this, there was no provision for the able-bodied poor. The men of the Middle Ages refused to admit the possibility of innocent able-bodied poverty. The able-bodied person who did not work was a vicious vagabond, to be pursued with the utmost rigour of the law. From the fourteenth century onwards, a series of vagrancy statutes harassed the unemployed man who left his parish in search of work. Thus medieval Poor Law policy combined 'unmerited indulgence towards the fraudulent and vicious with an arbitrary ferocity towards the innocent and the energetic; a policy which neither lessened destitution nor maintained order'.[1]

In the sixteenth century, the Enclosure Movement and the general break-up of the medieval economy created a mass of destitution with which the older agencies of poor relief were quite unable to cope. The problem was not peculiar to England. All over Europe, governments were faced with the same phenomenon of abnormal and ever-growing pauperism. Ultimately a solution was found in the secularization of poor relief, the State taking over from the Church and private charity the duty of providing for the destitute. But the men of the sixteenth century were slow to admit the necessity of this change. They clung obstinately to two fixed ideas which for long effectually prevented any intelligent attempt at reform of the Poor Law. They held, first, that private charity, if properly organized, was adequate to provide for the needs of the poor; and, second, that if a problem of able-bodied pauperism existed (which many denied), it would solve itself without State assistance. In the discussions that raged over these questions, all the leading humanists and reformers took part. Both Luther and Zwingli made pronouncements on the Poor Law problem. But the thinker who had the greatest influence in England was the Spaniard, Vives, who resided for a time at the court of

[1] Webb, *English Local Government, English Poor Law History*, Pt. I, p. 29.

Henry VIII. In his book, *De Subventione Pauperum,* Vives advocated the organization of private charity and its centralization in the hands of the public authorities. His ideas were put into practice by the municipality of Ypres in 1525.[1] Ten years later, a Latin account of the Ypres experiment, published by the magistrates of the town, was translated into English by William Marshall, a Reformer and protégé of Anne Boleyn.[2] In subsequent English legislation, the influence of this book is clearly visible.

Two important acts of 1531 and 1536 mark a new departure in English Poor Law policy. The first attempted roughly to discriminate between the deserving and the undeserving poor by empowering the justices to give the former licences to beg. The second, which is more important, definitely made each parish liable for the support of its poor and provided for a poor fund to be raised by voluntary collections. Begging and private almsgiving were both forbidden. This attempt at charity organization did not meet with great success. The voluntary collections proved inadequate and parishes were driven to supplement them by such dubious methods as church ales, which aroused the bitter opposition of the Puritans.[3] Public opinion was hostile to a compulsory poor-rate, and so long as it was practicable, Parliament clung to the voluntary principle. For a time the leadership in Poor Law reform passed from the State to the towns. London adopted a compulsory poor assessment in 1547 and organized a municipal system of poor relief based on the four great hospitals; Christ's for orphans, St. Thomas's and St. Bartholomew's for the sick and aged; and Bridewell for the

[1] It is doubtful how far the Ypres experiment was directly inspired by Vives. His book though written in 1524 was not printed till 1526. But there can be no question of the resemblance between his proposals and the Ypres experiment.

[2] Reprints of the works of Marshall and Vives will be found in Salter, *Some Early Tracts on Poor Relief.*

[3] At church ales, tables were set up in the churchyard and beer retailed to all comers, the proceeds going to the poor fund. The Puritan, Philip Stubbs, criticized them in his *Anatomy of Abuses* (1583). 'He that sits closest to it', he declared, 'and spends most at it is accounted the godliest man of all the rest . . . because it is spent upon his church, forsooth!'

able-bodied. Other municipalities followed London's example, and subsequent parliamentary legislation borrowed heavily from the expedients tried out by the towns. In 1572, the State accepted the principle of a compulsory poor-rate. In 1576, the justices were authorized to erect bride-wells or houses of correction for incorrigible vagrants, and to put the honest unemployed to work on raw materials supplied at the expense of the parish. By the close of the sixteenth century, quite a number of Poor Law statutes were on the statute book. They were codified and consolidated in the law of 1597, re-enacted with slight amendments in 1601.[1] The following are the main provisions of the latter statute which came to be known as 'the bible of the Poor Law'. The legal claim of the destitute to obtain relief was affirmed.[2] The quorum of justices was constituted the local Poor Law authority, but the unit of administration was the parish, and the justices were to be assisted in each parish by the churchwardens and two, three or four overseers. The justices were given power to impose a compulsory poor-rate on the inhabitants of any parish under their control, to be collected and expended under their supervision by the overseers. The different classes of poor were to receive appropriate treatment. The aged and the sick were to be relieved in their homes. Pauper children were to be boarded out and, when old enough, apprenticed to a trade. Vagrants were to be sent to prison or the house of correction, and the genuine unemployed were to be given work as provided for in the act of 1576. Until 1834, English Poor Law administration continued to be governed by this Elizabethan statute.

Further Reading.—Lipson, *Economic History*, Vol. III, chaps. v–vi; Ashley, *Economic History*, Pt. I, chap. v; Cunningham, *English Industry and Commerce in Modern Times*, Pt. I, pp. 25–52; Webb, *English Local Government, English Poor Law History*, Pt. I, chaps. i–ii; Leonard, *Early History of English Poor Relief*, chaps. i–vii; Salter, *Some Early Tracts on Poor Relief*.

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[1] See Bland, Brown and Tawney, *op. cit.*, pp. 380–1; and for the acts of 1572 and 1576, pp. 372–3.

[2] In her early affirmation of this principle, England is unique. In France, a similar principle did not receive recognition till the late nineteenth century.

CHAPTER XIII

THE ECONOMIC DEVELOPMENT OF SCOTLAND

I. THE LAND

Geographical and Political Influences.—The geographical character of Scotland and her political history have had an important influence on her economic development. Roughly, the country is divided into three geographical areas: (*a*) an extensive mountainous region in the north-west; (*b*) a smaller hilly region in the extreme south; and (*c*), lying between these two areas, the Scottish midlands or the Lowland plain to which at all times the economic activity of the Scottish people has been mostly confined. The mountainous character of the country has added to its beauty, but Scotland has had to pay a stiff price for her romantic scenery. To this day, only a fourth of her soil is capable of cultivation. In addition, she has an ungenial climate which makes it difficult and in some parts impossible to grow the highest class of cereals, especially wheat. These circumstances alone are sufficient to explain the backwardness and poverty of Scotland prior to the industrial age. Political conditions were no less unfavourable. The War of Independence (1296–1328) was the beginning of a prolonged and deadly feud with England, during which Scotland suffered from the handicap that her most prosperous districts were within easy striking distance of the English frontier. Again and again, English armies ravaged the Lowlands and occupied and burnt the capital. In the short intervals of peace, the country was desolated by the scourge of civil war. The Scots, said a foreign observer,[1] 'spend all their time in wars, and when

[1] Pedro de Ayala, Spanish Ambassador at the Court of Scotland in the early sixteenth century.

there is no war, they fight with one another'. The Crown was weak. The Anglo-Norman families of Bruces and Stewarts who obtained the throne in the fourteenth century had none of the prestige that attached to the old Celtic line of kings. They had to buy support, and their lavish generosity raised up powerful houses like the Douglases, who were too strong for subjects. The monarchy struggled gallantly against these disruptive forces, but it was not until the Union with England placed in its hands the wealth and resources of Scotland's ancient enemy that it was able to reduce even the Lowlands to peace and order. The Highlands were not subdued till the eighteenth century.

Scottish Feudalism.—We have no first-hand knowledge of the Celtic system of landholding which prevailed in Scotland during the earliest period of her history. We can only conjecture that it was similar to the systems of Celtic Wales and Ireland, of which we have fuller information.[1] But of the development of Scottish feudalism, we are more accurately informed. While it is always possible and indeed probable that in course of time a native feudalism would have grown up in Scotland, in point of fact feudal customs were directly imported from England. Their introduction was part of the anglicizing policy of Malcolm Canmore and his sons, which gave Scotland English speech, dress, manners and laws.[2] Norman nobles were invited to the Scottish Court and endowed with lands. All the historic families of Scotland, the Bruces, the Balliols, the Comyns, the Durwards, &c., were of Norman origin. On their estates they introduced the landholding customs with which they were familiar in England

[1] Skene makes this assumption in the account which he gives of early Scottish landholding in his *Celtic Scotland*, Vol. III, chaps. iv–vii. The only contemporary document that we have of this period is the *Book of Deer*, a Latin copy of part of the gospels, written in the ninth century, with entries on the margins in Scottish Gaelic, purporting to record grants of land to the Celtic monastery of Deer in Aberdeenshire. The information conveyed by these *notitiae* is meagre and the authenticity of the earlier entries has been questioned; *v.* Lawrie, *Early Scottish Charters*, p. 220.

[2] The period of this anglicizing process was roughly the late eleventh and early twelfth centuries.

and Normandy. Scottish feudalism is therefore largely a copy of English, but there are a few differences. Some of these are merely in nomenclature. Knight service was known in Scotland as *wardholding*, petty serjeanty as *blenchholding*. The feudal incidents were called *casualties*. More important is the fact that subinfeudation was never forbidden by Scottish law, as it was by the English statute *Quia Emptores*.[1] On the other hand, the liberty of tenants to alienate their land was more restricted in Scotland than in England. Complete liberty to alienate was not allowed till 1747, four and a half centuries after it had been granted in England. The feudal system was first firmly planted in the Lowland area, but it was not long before it penetrated into the Highlands. The clan chiefs gladly accepted feudal charters which vested in them the sole ownership of the tribal land and wiped out in law the vague claim of the clansmen to collective possession. Yet the feudal method of landholding never became universal in Scotland as it did in England. Important exceptions to feudal land law always prevailed, of which there are two interesting modern survivals: the so-called Udal lands of Orkney and Shetland, and the glebes of parish ministers. These are still held by non-feudal or allodial tenure.

The Village Community.—Unlike England, where the greater part of the soil was covered by compact 'nucleated' villages, Scotland was a land of scattered hamlets. This may be ascribed to the racial character of her people, which was predominantly Celtic.[2] Or a more convincing explanation may be found in the physical configuration of the country. In regions of hill and moorland, the manorial system was always weak.[3] Nothing really comparable to the English manor existed in Scotland. The typical Scottish estate was an organized cluster of hamlets. There was a desmesne hamlet at the centre, with a number of dependent

[1] See p. 44.

[2] For a discussion of the racial character of the Scottish people, see Rait, *Making of Scotland*, pp. 32–5.

[3] See the essay by Dr. Eileen Power on 'Life and Rural Conditions (*c.* 1100–*c.* 1500)' in the *Cambridge Medieval History*, Vol. VII, chap. xxiv.

hamlets attached to it. The whole structure was very loose. Tenants in the outlying hamlets owed dues to the central hamlet, but payments in kind or money were more important than labour services. There was not the intimate connexion between the desmesne and the land of the tenants that existed on the English manor.[1]

Considerable light is thrown on the management of a Scots medieval estate by a rental of Kelso Abbey, *c.* 1290.[2] The monks had several baronies, on each of which there was a grange or Abbey home farm. Round the grange clustered a hamlet inhabited most probably by the serfs who cultivated the desmesne land. On outlying parts of the estate there were other hamlets of free tenants, husbandmen who had holdings of 26 acres, cottars who occupied from 1 to 9 acres. The services rendered by these tenants make it quite clear that the monks did not rely on them, as an English lord relied on his villeins, to cultivate the desmesne. To take one example, there were 28 husbandlands at Bowden, each of which paid 6*s.* 8*d.* and rendered the following services: to plough 1½ acres; to reap 4 days in harvest; to give 1 day's harrowing with a horse; to give 1 day carting peats; to find a man at sheep-shearing and at sheep-washing; to serve with a waggon 1 day for carting home the harvest; to provide a man and a horse to and from Berwick, once a year; to carry the Abbot's wool to the Abbey; and to find carriages across the moor to Lesmahagow.[3] There were 36 cottagers at Bowden, each with 1½ acres and a rood of land, for which the total rents were 55*s.* 8*d.* a year. Each cottager supplied 9 days' work in harvest and found one man for washing and shearing sheep. Every house in the barony furnished the Abbot with a hen at Christmas.

It is obvious that the services of husbandmen and cottars

[1] The usual name for a Scots estate was a *barony*. A *regality* was an estate within which the owner enjoyed practically sovereign powers. Regalities corresponded to the English palatine earldoms of Chester and Durham. 'The grant of a regality took as much out of the Crown as the sovereign could grant.' Innes, *Scotch Legal Antiquities*, p. 40.

[2] *Liber de Calchou*, pp. 455–74. (Bannatyne Club.)

[3] Lesmahagow was an outlying property of the monks in Lanarkshire.

were mainly of the nature of boon-work, not week-work. The Bowden tenants were attached to the grange at Newton, where the monks had 7 ploughlands or plough-gates, i.e. 728 acres, in desmesne.[1] Of these the Bowden tenants only ploughed 42 acres. The weeding of the grange corn was done by 21 cottagers at Clarilaw, each of whom had 3 acres minus a rood, for which they rendered, in addition to the service just mentioned, 2 bolls of meal yearly.[2] It is clear that the monks must have had some other labour-supply at their disposal to carry out the regular ploughing on their desmesne. This may have been the hired labour of cottars, but more probably it was the forced labour of serfs who lived in the grange hamlet.

At Reveden or Redden, the tenants had at one time performed week-work and had received from the Abbey their farming stock or *stuht*,[3] 2 oxen, 1 horse, 3 chalders of oats, 6 bolls of barley and 3 bolls of wheat. But shortly before this their services were commuted for a money payment of 18*s*. and the stuht was withdrawn.

Agricultural Tenancies.—The lowest class of tenants were the serfs, *neyfs* or *nativi*, about whom our information is very meagre. We know that their legal disabilities were much the same as those of the English villeins, but we can only guess at their economic status. Kelso Abbey had serfs. About 1170, Earl Waldev of Dunbar handed over a whole tribe of them to the monks.[4] But how the Abbey used its servile labour, the 1290 rental does not inform us. Some of the serfs were doubtless employed as shepherds, because the

[1] A ploughland or plough-gate consisted of 4 husbandlands of 26 acres each, or 8 oxgates or oxgangs of 13 acres each. One Scots acre = 1·27 English acres.

[2] The boll is equal to about 12 imperial bushels. One chalder equals 16 bolls.

[3] Perhaps derived from Gaelic *stuth*, ' stuff '. This form of tenancy was later known in Scotland as *steel-bow*. *Bow* means a herd of cattle, but the use of the term ' steel ' cannot be explained. It was, however common in other languages ; cf. O. Ger. *stahline vieh*, and O. Fr. *beste de fer*.

[4] ' I give and confirm to the abbot and monks of Kelso, Halden and his brother William and all their children and all their descendants.' *Liber de Calchou*, p. 98.

monks were notable sheep-breeders and had extensive pasture lands. Others were probably used, as we have suggested, to cultivate the desmesne land. The serfs must have had holdings of some kind, but we have no knowledge of their size or of the conditions on which they were held. We may hazard the conjecture that serfs were not numerous in comparison with free tenants. Continental analogies suggest this. In countries with the same physical features and type of agriculture as Scotland, serfdom was weak and died out early.[1] This is true also of Scottish serfdom. The last recorded case of a claim against a serf occurred in the sheriff court of Banffshire in 1364 when the Bishop of Moray obtained a verdict that 'Robert, Nevyn and Donald were the *nativi* of the said Bishop and his property'. By the fifteenth century we may safely assume that serfdom was dead. Landowners had either given up desmesne farming or were using the hired labour of cottars for that purpose.

After the disappearance of serfdom, agricultural tenancies in Scotland were mainly of three types: (*a*) 'kindly' tenancy; (*b*) leasehold; (*c*) tenancy-at-will. Kindly tenancy had some resemblance with English copyhold. The name is connected with 'kin', which suggests a tribal origin. Kindly tenants had no written titles, but by custom they enjoyed security of tenure and their annual dues were fixed. Holdings passed from father to son on payment of a fine or grassum. During the sixteenth century, this tenure very largely disappeared from Scotland. Kindly tenants were defenceless against the encroachments of a grasping landlord as they had no written evidence of their rights. Most of them were either evicted or transformed into leaseholders. Only in one instance did kindly tenants succeed in making good their position. This was in four little villages near Lochmaben, the Four Towns of Lochmaben. These formed part of the ancient estates of the Bruces in Annandale and had become Crown property. At different times royal warrants were issued for the protection of the Lochmaben 'rentallers' and in 1726 their rights were confirmed by a judgement of the House of Lords (*the Kindly Tenants of Lochmaben* v. *Viscount*

[1] *Cambridge Medieval History*, Vol. VII, pp. 716–19.

Stormont). There are still a number of kindly tenants at Lochmaben.[1]

The leases which took the place of the kindly tenancies were mainly for short periods, three or five years, though longer periods were not unknown. The sixteenth-century Scots historian, John Major, ascribed the backwardness of Scottish agriculture to the precarious tenure of the tenants.[2] When an estate changed hands all the leases on it were automatically cancelled. This gross injustice, however, was remedied by a statute of 1449. Rents of leasehold farms were paid in kind or in money, mostly in kind, in addition to which some occasional services were demanded. Joint tenancies and subletting were exceedingly common. The sub-tenants of a large leaseholder were nearly always tenants-at-will.

The Feuing Movement.—A word of explanation is necessary about the peculiarly Scottish practice of feuing land. It developed out of the old feudal tenure of feu-farm, by which land was held in return for non-military services or payments in money or kind. The feu has come to hold a position of peculiar importance in the Scottish land system. Most building land, for instance, is now feued. It was in the sixteenth century that the practice first became common. An extensive feuing movement developed, especially on the church lands.[3] The cause was the pressure of royal and papal taxation, which made it necessary for churchmen to raise large sums. This could be done by feuing. A feuar in Scots law is a landowner who holds his land subject to an annual payment known as a feuduty. When an abbey feued its lands, therefore, it could obtain first a lump sum in cash and second an annual payment which might be fixed at a higher rate than the previous rental of the land. To take an example, the monks of Kelso in 1533 feued lands at Lesmahagow which were bringing in a revenue of £80. They

[1] See an article by J. Carmont in the *Juridical Review*, Vol. XXI, p. 321.

[2] Major, *History of Greater Britain*, p. 31. (Scottish History Society.)

[3] See articles by Professor R. K. Hannay in the *Scottish Historical Review*, Vol. XVI, p. 52, and Vol. XXIII, p. 18.

received a lump sum of £1,550 and the feuar undertook to pay a feuduty of £82 with a duplicand or fine of other £82 on the succession of heirs. This example shows how profitable feuing could be made.

The movement was not a democratic one. It was only men of means that could take out feus, and the change of ownership was usually detrimental to the small cultivator. The feuars of kirklands showed themselves merciless landlords and were chiefly responsible for the disappearance of the kindly tenants. Their harshness provoked many bitter complaints which find expression in the literature of the time; in Sir David Lyndesay's satires, and in the anonymous *Complaynt of Scotland.*[1] In its social consequences and the damage it inflicted on the peasantry, the feuing movement suggests comparison with the contemporary enclosure movement in England.

The Run-rig System.—The system of agriculture practised in medieval Scotland was known as *run-rig.*[2] It was a co-operative method of cultivation. The four husbandmen who were joint tenants of a ploughland or plough-gate united to make up a plough team. The old Scots plough was a heavy, cumbrous instrument drawn by 8 or more oxen.[3] Each husbandman contributed two beasts to the plough, in return for which he obtained a holding made up of rigs or ridges scattered throughout the village fields. The practice of ploughing land into ridges was almost universal in Europe at this time. It was the only known method of drainage. Scottish ridges ran down, not across, the slope of the fields; they were anything up to 1,000 yards long and 20 to 50 feet broad. Frequently, they were 3 feet high or more.[4] Originally straight, they had gradually acquired a serpentine shape,

[1] For quotations, see Miss Grant's *Social and Economic History of Scotland,* pp. 278–9.

[2] Usually derived from the Gaelic *roinn-ruith.* Miss Grant, however, suggests an Anglian origin for both the name and the system; see Grant, *op. cit.,* pp. 106–7.

[3] In the north-east, as late as the eighteenth century, twelve oxen were used. A picture of the 'twal ousen pleuch' will be found in Alexander's *Northern Rural Life in the Eighteenth Century.*

[4] These measurements are derived from eighteenth-century evidence.

owing to the difficulty of keeping the plough team moving straight. A redistribution of the rigs took place among the joint tenants every year.[1]

The other distinctive feature about the run-rig system was the division of the cultivated land into *infield* and *outfield*. The infield was the best land lying nearest the village. It was kept continually under crops and its fertility was maintained by the application to it of all the manure the villagers had at their disposal. The outfield was inferior land lying beyond the infield. It was usually three or four times as large, and was cultivated in piecemeal fashion. A section was ploughed up and might be kept under crops for several years. Then it was abandoned and a second section was treated in like manner. Gradually the whole of the outfield was worked over. Each section obtained a prolonged rest which might last 5, 10 or even 15 years. This was the only method of soil recuperation used. It was very seldom that any manure was applied to the outfield.

Within the framework of this antiquated method of cultivation, only the crudest kind of husbandry could be practised. Very little wheat was grown. The chief crops were oats and bere, a coarse kind of barley. The yield was miserably small. Owing to the prevalence of hill and moorland, animal husbandry tended to become relatively more important than tillage. Every hamlet had attached to it a large area of pasture land, and in the summer the village cattle were driven to the nearest 'shealings' or hill grazing ground and kept there till the harvest. In the south, the many abbeys and monasteries specialized in sheep and cattle rearing. Viewing Scottish agriculture as a whole, its output both in meat and corn was wretchedly poor. At a time when a country's wealth depended mainly on its soil and climate, hard and grinding poverty was the inevitable lot of the Scottish people.

One notable feature about the Scottish landscape which struck all visitors was the rarity of forest or woodland. The traditions about a Caledonian Forest might suggest that Scotland was once a well-wooded country, but that condition, if it ever existed, had long passed away. The scarcity of

[1] See an article by the present writer on 'Ridge-Ploughing in Scotland', *Scottish Historical Review*, Vol. XXIV, p. 194.

timber was the reason why peat was so extensively used as fuel. The peat-moss was an indispensable adjunct to every Scottish village. The early date at which coal was mined in Scotland is probably also explained by this shortage of timber. As early as the thirteenth century, the monks of Newbattle were digging coal on the banks of the Esk.[1]

FURTHER READING.—See books mentioned at close of next chapter.

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[1] Innes, *Early Scotch History*, p. 132.

CHAPTER XIV

THE ECONOMIC DEVELOPMENT OF SCOTLAND

II. TRADE AND INDUSTRY

Town Life.—In general, the development of town life in Scotland proceeded on similar lines to the parallel movement in England. Two peculiar features in Scottish municipal history, however, must be mentioned. One is the important difference in status and privileges between the towns on Crown land, the *royal burghs*, and towns on the estates of barons and churchmen, the *burghs of barony* or *burghs of regality* (so-called according to the nature of the estate on which they were situated: see p. 135, n. 1). Royal burghs alone were represented in Parliament. In Scotland, the feudal theory of Parliament as an assemblage of the king's tenants-in-chief was rigidly maintained. Royal burghs were corporate vassals of the king and had a right to attend by proxy. Burghs of barony or of regality could only be represented in the court of their immediate overlord. In England, no such distinction was ever made in summoning burgess members to Parliament.

More important still were the economic privileges enjoyed by the royal burghs. Each of them had a trading monopoly throughout a wide district. This might include one barony or several, or in the case of important towns like Edinburgh, Perth and Aberdeen, a whole county. Burgesses of inferior burghs, on the other hand, could only trade within their municipal boundaries. The royal burghs kept a watchful eye on the burghs of barony or of regality within their spheres of influence, and took stringent measures to prevent any invasion of their monopoly. Glasgow, a burgh of barony created by the bishop, suffered much at the hands of the royal burgh of Rutherglen. Edinburgh bought up the superiorities

of several tiny burghs outside her city walls, Canongate, Calton, East and West Portsburgh, Leith, and governed them selfishly in her own interests by appointed bailies.[1] The exclusive policy of the royal burghs hindered the general development of urban life and strangled trade in the country districts. Not until 1517 was a market authorized outside a burghal area. Rural markets did not become common till the later seventeenth century.

The other distinctive feature about Scottish town life was the tendency of the burghs to draw together into unions or confederations. As early as 1292, we have mention of the Court of the Four Burghs, namely, Edinburgh, Stirling, Roxburgh and Berwick. This court was presided over by the king's chamberlain. It issued regulations regarding such matters as weights and measures, and acted as a final court of appeal from the burgh courts. The place of Roxburgh and Berwick, after they fell into English hands, was taken by Lanark and Linlithgow. The last recorded meeting of the court took place in 1507. By this time informal meetings and conferences between the royal burghs had become common, and out of these developed the institution known as the Convention of the Royal Burghs. It was regularly constituted in the sixteenth century and held annual meetings from 1578 onwards. Each royal burgh sent one representative, except Edinburgh, which might send two. The Convention never possessed the judicial powers of the Court of the Four Burghs, but in general matters, its legal competence was much wider. It fixed the share of the national taxation to be borne by each burgh and issued decrees and decisions touching almost every aspect of town life. Through its activities Scotland obtained a common code of municipal and commercial law. No other European country can show anything quite comparable to the Convention. For nearly three centuries, it was a decisive factor in shaping the course of Scottish economic development.

Merchant and Craft Gilds.—The organization of merchants

[1] Leith never had any corporate organization till she was made a parliamentary burgh under the Municipal Reform Act of 1833. She was united with Edinburgh in 1920. The other burghs mentioned were included within the Edinburgh boundaries in 1856.

and craftsmen in the medieval Scottish burgh was so similar to that which prevailed in contemporary England that in this brief account, it will only be necessary to direct attention to the chief points of difference between them. The Scottish merchant gild, or the guildry as it was usually called, dates from the later twelfth century. There is an allusion to it in the reign of David I (1124–53),[1] and a law of William the Lion (1165–1214) authorized merchants to form gilds. The oldest guildry is that of Aberdeen, which is mentioned in 1222, but most Scottish towns did not obtain gilds till a very much later date. The earliest documentary reference to the Edinburgh guildry is in 1403. Glasgow did not establish a gild until 1605.[2] The statutes of the gild of Berwick, dating from the thirteenth century (when Berwick was still a Scottish town) have survived to show that there was no essential difference in aim and methods between the Scottish guildry and the English merchant gild.[3] The presiding officer of the guildry was the dean, and to his court important functions were often delegated by the municipality. At Edinburgh, for example, the dean of guild court inspected weights and measures, regulated the freighting of ships, settled mercantile disputes, and (as it still does to-day) supervised all building operations within the city boundaries. Originally the court was representative of the gildsmen, and the dean was also elected by them. But in the sixteenth century, the guildry lost its rights of self-government and the appointment of the dean and of the members of his court passed into the hands of the town council. Not till the nineteenth century did the gildsmen recover the right to choose their own officials.

Owing to the tardy development of industry in medieval Scotland, craft gilds did not make their appearance till the fifteenth century. They were in every case created by the municipal authorities through the issue of a document known as a 'seal of cause'. Crown-chartered gilds were unknown in Scotland. Each craft or incorporated trade, to use the Scottish term, was presided over by a deacon, and in each

[1] *Leges Burgorum*, c. 95.

[2] For a list of towns with guildries and the dates of their foundation, see Gross, *Gild Merchant*, pp. 203–7.

[3] Gross, *op. cit.*, pp. 227–40.

town the deacons of the crafts formed a sort of committee to watch over the interests of the craftsmen, the convener (known as the Convener of Trades) acting as spokesman for the whole body. In the sixteenth century, after a prolonged struggle, the craftsmen finally established the right to elect their own deacons, but even then, they were compelled to choose from a panel of names submitted to them by the town council.

In Scotland, the social and economic distinction between merchants and craftsmen was much more marked than in England, and the unfriendly relations between the two groups led in the sixteenth century to bitter class warfare. The grievances of the craftsmen were of two kinds, political and economic. They were excluded from practically all share in municipal government. The merchants engrossed the chief magistracies and dominated the town council. The establishment of this political monopoly was facilitated by an act of 1469 which provided that the old town council should elect the new and that both together should choose the magistrates. Economically, the craftsmen suffered from the commercial monopoly of the guildry. The rule was strictly enforced that no craftsman should engage in trade unless he abjured his craft. The craftsmen demanded that this rule should be relaxed to the extent at least of allowing them to deal in raw materials which they required for the practice of their crafts.

At the close of the sixteenth century, this class struggle was terminated by a series of compromises. In most Scottish towns, merchants and craftsmen entered into agreements which made mutual concessions to the contending parties. The Edinburgh settlement may be quoted as an example. It was drafted in 1583 by a committee of arbiters under the presidency of King James VI. The craftsmen obtained two important concessions. First, though the magistrates and town officers were to remain merchants, the rest of the council was to consist of 10 merchants and 8 craftsmen; second, craftsmen were to be admitted to the guildry and have the privilege of using merchandise without the necessity of abjuring their craft. This was the general character of most of the settlements adopted at this time. They removed some

of the economic grievances of the craftsmen, but did little to weaken the supreme control exercised by the politically powerful merchant class over the government of the towns.

Overseas Trade.—As was to be expected in the case of so backward a country as Scotland, her foreign trade, to begin with, was mainly in the hands of aliens. Amongst these, Flemings preponderated. There was a big influx of Flemings in the twelfth century, many of them coming from England after the expulsion of Stephen's foreign mercenaries by Henry II. Flemish colonies were thickly planted along the east coast, and there was a Flemish trading depot at Berwick on the model of the Steelyard, called the Redhall. German merchants also visited Scottish ports, as is shown by a letter sent in 1297 by Sir William Wallace as Guardian of the Kingdom to the citizens of Hamburg and Lubeck, inviting them to resume trade. A little later, Lombard merchants applied for leave to establish a trading settlement at Queensferry. The first natives to engage in overseas trade were mainly churchmen. Many religious houses fitted out ships and exported the wool, skins and other products which they raised on their estates.[1] But the right to engage in foreign trade rapidly became the almost exclusive privilege of the merchants of the royal burghs. Their commercial monopoly was based on their individual charters, confirmed by subsequent statutes. No cargo could be landed in Scotland save at a royal burgh, and foreign vessels, if they loaded at unfree ports, could only take in coal, lime or stone. The commercial activities of the royal burgesses overseas were supervised and regulated by the Convention of Burghs, and this is probably one reason why trading companies never developed in medieval Scotland. They were not necessary. The Convention did the work which in England was done by organized companies like the Staplers or the Merchant Adventurers.

The bulk of Scotland's foreign trade was conducted with England, France, the Baltic and the Low Countries. With England, commercial intercourse was frequently interrupted

[1] In the twelfth century, the Count of Flanders granted the monks of Melrose free passage for their goods through his dominions. Dunfermline Abbey secured exemption from the royal customs for one ship. Other monasteries enjoyed similar privileges.

by war, but as frequently resumed. National hatred of the 'auld enemy' could not blind Scotsmen to the profitableness of trading with their nearest neighbours. With France, on the other hand, political friendship strengthened commercial ties. The 'auld alliance' procured Scottish traders important privileges in French markets. Francis I in 1510 exempted Scots merchants from payment of customs in Normandy, and when Mary, Queen of Scots, married the Dauphin in 1558, a still more valuable concession was secured. Scotsmen were given the privilege of nationalization in France and were thus relieved from all the heavy imposts paid by foreigners. With the Baltic, trading relations were encouraged by the large number of Scottish emigrants who settled in that region during the fifteenth and sixteenth centuries. In all the Baltic towns, there were flourishing colonies of Scots merchants, and in the agrarian hinterland, the commercial needs of the scattered peasant communities were supplied by swarms of Scots pedlars, whose numbers were estimated by one traveller at 30,000.[1] Flanders, however, of all Scotland's overseas markets, was easily the most important. It was the only country with which trade was extensive enough to justify the institution of a staple port. The Scottish staple system, unlike that of England, was not a fiscal or political device. It was created and managed by the Convention of Burghs in the interests of the merchants themselves, not of the Crown, and the share of the government in its administration, though constantly tending to grow larger, was never really important. In the fifteenth and early sixteenth centuries, the staple was shifted about between Bruges, Middelburg and Antwerp; but from 1541 onwards it was fixed at Vere or Campvere in the island of Walcheren. The Vere municipality granted the Scottish merchants a conciergerie or lodging-house and a church, and guaranteed them freedom from vexatious taxation. It also allowed them to have a conservator or consul in whose court disputes between Scots resident in the town were settled. This official acknowledged his responsibility to the Convention, to which he reported

[1] William Lithgow, whose *Travels* were published in 1632. His estimate is perhaps exaggerated. See Fischer, *Scots in Prussia*, and *Scots in Germany*.

yearly, but the Crown managed to secure the chief share in his nomination. The post was usually given to a courtier, who acted at the same time as royal envoy in Flanders, an economical arrangement, which allowed the king to save an ambassador's salary. In return for their privileges, the Scots undertook that no staple goods (i.e. goods paying custom) should enter the Low Countries except through the port of Vere. This regulation, however, was not always strictly observed.

Two general remarks may be made about Scotland's foreign trade at this time. First, it was conducted mainly by the towns on the east coast, from which the markets for Scottish exports were most easily reached. The western ports did little except a small trade in foodstuffs with Ireland and the Hebrides, and in this trade Glasgow was for long outdistanced by the royal burgh of Ayr. Secondly, the character of Scottish medieval trade was quite well defined. It consisted essentially of the exchange of rural produce, wool, skins, fish, &c., for manufactured and luxury goods. Down to the Union of the Crowns, Scotland had to rely for these commodities on foreign producers. Her native industries were quite incapable of meeting the home demand, and any attempt to remedy this deficiency by protective measures met with strenuous resistance from the merchant class. The merchants profited by foreign trade and had an interest in maintaining Scotland's economic dependence on other countries. It was not till nearly the close of the sixteenth century that the movement for national self-sufficiency became strong enough to overcome this interested opposition. A few indications of the change in outlook may be given. In 1597, the tariff was revised and protective import duties were substituted for the taxes on exports from which hitherto the customs revenue had been chiefly derived. In the same year, an embargo was placed on the import of English cloth. And a few years later, a colony of Flemish weavers was planted at Bonnington near Edinburgh in an effort to improve the native cloth industry. Faithful to the interests it represented, the Convention of Burghs denounced the new import duties, but its protest was disregarded. The government was no longer prepared to sacrifice internal industrial development for the sake of expansion in foreign trade. Economic nationalism

was at last in the ascendant and a new chapter in Scottish economic history had opened.

Taxation.—An Exchequer on the English model was introduced into Scotland in the twelfth century, probably one of the many institutions which the country owes to David I. The finance minister was the Great Chamberlain, but after 1424, his place was taken by two officials, the Treasurer and the Comptroller. The revenue was gathered in and, to a large extent, disbursed by local officers, sheriffs of counties, stewards and bailies of the royal domains, magistrates of towns, and customars at the ports. An annual audit was held by Lords Auditors of the Exchequer, a committee of great officers of State, who sat at various centres, but, from the sixteenth century onwards, at Edinburgh. In the intervals of performing their audit duties, they acted as a Court of Exchequer for the settlement of revenue cases. Taxation in Scotland was even more of an emergency measure than in England and it was only rarely that the king's income as a feudal landowner was supplemented by grants from the nation. The usual practice, after the fifteenth century at least, was for Parliament to assign a definite sum to be paid by each of the three Estates, leaving it to the representatives to share the amount out among their constituents as they thought fit. For the burghs, the Convention had a special tax-roll, showing the liability of each municipality. The clergy had a valuation of benefices prepared in 1275 by the papal legate, Baiamund or Bagimont. And the secular barons could use various land valuations which had been made at different times for the purposes of national taxation. The most ancient of these was the Old Extent, dating from at least the thirteenth century. After the War of Independence, the Old Extent became out of date, and it was corrected by new extents which were intended to express the actual value of the land. For centuries, land was described in terms of both Old and New Extent, but it is impossible to discover any uniform ratio between the two valuations. Down to 1832, the qualification for the Scots county franchise was the possession of a forty-shilling land of Old Extent. A decision of the Court of Exchequer in 1585 held that this was equivalent to one ploughland. As showing the pro-

portion in which the different classes shared the burden of national taxation, the grant of £12,000 made by Parliament in 1566 may be quoted. Of this sum the clergy paid half, the barons a third and the burghs a sixth. The large contribution of the clergy is notable. They were popularly believed to own half the landed property in the kingdom.

Coinage.—There was no independent Scottish coinage until the twelfth century. Currency needs prior to that were met by the import of foreign, especially of English, coins. David I struck silver pennies at his mints at Roxburgh, Berwick, Carlisle and Edinburgh. These were followed by groats and half-groats. In the fourteenth century, a gold coinage was introduced, a small amount of native gold being mined in the Leadhills district of Lanarkshire. The chief gold coins were the noble, the lion, the unicorn, the rider, the ryall and the bonnet-piece. Base silver or billon coins, the plack and the bawbee, and copper farthings, were also issued. Originally, Scottish coins were of the same weight and fineness as English, but progressive debasement lowered their value, until the two currencies stood to each other in the relation of 1 : 12. At the Union of the Crowns, Scotland retained her separate mint, but her coinage was assimilated in weight and fineness to that of England. Nevertheless, the custom of reckoning in depreciated Scots pounds persisted amongst the Scottish people down to the close of the eighteenth century.[1]

FURTHER READING.—Miss I. F. Grant, *Economic History of Scotland*, chaps. i–vi; and *Social and Economic Development of Scotland before 1603*; Childe, *Prehistory of Scotland*; Mackinnon, *Social and Industrial Development of Scotland*, Vol. I; Cosmo Innes, *Scotland in the Middle Ages*, and *Scotch Legal Antiquities*; Pagan, *The Convention of Royal Burghs*; Murray, *Early Burgh Organization in Scotland*, Vol. I; Gross, *Gild Merchant*, Appendix D; Davidson and Gray, *Scottish Staple at Vere*; Rooseboom, *Scottish Staple in the Netherlands*; Cochran-Patrick, *Records of the Coinage of Scotland*. Johnston's *History of the Working Classes in Scotland* is written from the standpoint of a left-wing politician, but contains interesting material. There is a useful *Bibliography of Scottish Economic History*, by W. H. Marwick, in the *Economic History Review*, January, 1931.

[1] Hence the query of the English rhymester—

> How can the rogues pretend to sense?
> Their pound is only twenty pence.

CHAPTER XV

MEDIEVAL WALES AND IRELAND

WALES

Political Conditions.—In the eighth century, the westward advance of the conquering Saxon was brought to a standstill by the Welsh mountain barrier. 'Their land they shall lose,' predicted the Celtic bard of his countrymen, 'except wild Wales.' West of Offa's Dyke, Celtic tribalism found a refuge, and here it developed for centuries, untouched by alien influences. The mountainous character of the country, which made it easy to defend, proved at the same time a fatal obstacle to political union. Like Ireland and India, Wales only obtained national unity at the hands of a foreign invader. The anarchic condition of the country with its warring tribes invited conquest, and in the eleventh century the English advance was resumed. This time, the subjugation of the Welsh was undertaken by adventurous Norman barons, each fighting for his own hand. The invaders penetrated by the valleys and lowlying lands of the east- and south, and rapidly carved out for themselves a string of marcher lordships along the Welsh border, each with its stone castle to overawe the native population. In the thirteenth century, the English Crown lent its aid, and in 1282, Edward I defeated Llewellyn ap Gruffyd, the Prince of Gwynedd. The territory, which had been under his rule, mostly in north-west Wales, was divided into shires; but the rest of the country—comprising the lord marcherships—was not brought within the English system until 250 years later (1536). Thereafter the Welsh shires and boroughs were given representation in the English Parliament; and English law and methods of administration were introduced throughout the Principality. This, the first of the three great Unions

which created the United Kingdom, was the most successful. It left behind it no bitter memories. The Welsh themselves had demanded to be placed under English law. To them, unlike the Irish, union with England signified neither economic degradation nor racial subjection.

The Land.—From the economic point of view, the chief interest of Welsh medieval history is the contest waged between two opposing social systems, Celtic tribalism and English feudalism or manorialism. The Welsh Celts were Brythons, whom the physical character of their country compelled to engage chiefly in pastoral pursuits. They reared large herds of cattle, swine and goats, and also, though to a smaller extent, of sheep. A little agriculture was carried on as a by-employment. The old Welsh laws give us some information as to the system of co-aration pursued. The plough, we are told, was drawn by 8 oxen (though Giraldus Cambrensis in the twelfth century speaks of 4 as the usual number), and the produce of each dozen ploughed strips or *crws* was divided according to a recognized system. The produce of one strip went to the ploughman, of a second to the irons, of a third to the driver; a fourth was devoted to the upkeep of the plough, and the produce of the remaining 8 strips was divided among the owners of the oxen. Giraldus Cambrensis describes the homesteads of his countrymen as consisting of one-roomed huts, scattered along the edge of the woods. The tribesmen had two sets of homesteads, as they fed their herds in the hills in summer and in winter in the valleys. Welsh society was organized on the basis of kindred-groups as described on pp. 13–14. There were separate groups for free and for unfree tribesmen, and each group paid rents in food, money or services to the chief or king.

As the English conquest progressed, this tribal economy was threatened with submergence beneath the advancing tide of feudalism. In the vanquished territories, Celtic custom was overlaid and diluted by English land law. The degree to which the old system was displaced varied with the character of the soil and the nature of the country. There was always a clear distinction between the lowlands, the area of direct economic exploitation by the invaders with a system akin to manorialism, and the highlands, where exploitation

was indirect, and carried on through the exaction of tribute. Even within the marcher lordships, this distinction prevailed. Each of them was divided into two parts, the Englishry and the Welshry. The low-lying ground was the Englishry, occupied mainly by English settlers and tenants, and organized under a kind of manorial system.[1] The uplands were the Welshry, inhabited by Celtic herdsmen, who continued to pay their old tribal dues to the new Norman lord of the territory.

The extension of English land law to all parts of Wales after the Union of 1536 brought about the rapid decay of Celtic tribalism. Even before the English conquest, the Welsh kindreds had shown signs of disintegrating, the Welsh laws themselves allowing the sharer in a family holding, in certain circumstances, to take his portion of land into individual possession. When the English rule of primogeniture was substituted for the Celtic method of equal division, this tendency was accelerated. Many areas in Wales passed straight from a tribal economy to individual landholding without any intervening manorial stage. The free tribesmen were promoted to the status of freeholders ; the unfree were at first given leaseholds, with a legal right of renewal at prescribed intervals, but in course of time, most of them sank into the position of yearly tenants. By the later sixteenth century, Welsh society had assumed the shape which it was to keep down to the industrial period. The old baronial class, the descendants of the marcher lords, died out. In its place, there arose a native squirearchy of small or medium landowners, who readily adopted English speech and customs and were entrusted with the work of local administration. The rural population came to consist mainly of small pastoral farmers, holding their farms on yearly tenancies. Unlike the Irish peasantry, the Welsh were not divided from their landlords by blood or religion, nor were they animated by any racial hatred of England or Englishmen.

The Towns.—The first towns in Wales were established by

[1] The structure of these Welsh manors was much looser than that of the corresponding institution in England, and the number of servile tenants was smaller. In many respects they resembled the Scottish medieval estates described on pp. 134–6.

the English invaders. They grew up round castles, royal or baronial, and were intended as centres of English influence and propaganda. The citizens, with few exceptions, were of English blood. They were mainly merchants who conducted the exchange of rural produce for manufactured goods which was the natural form for trade to take in a primitive country like Wales. Each town had its merchant gild, and the commercial monopoly which the boroughs enjoyed in virtue of their charters proved very irksome to the native Welsh and was one of the contributing causes of the rising under Owen Glendower in the fifteenth century. Contrary to what might have been expected, the Union with England led to a partial decay of town life. The Welsh towns were either fortresses or closely associated with fortresses, and these were no longer required, now that the country was reduced to peace and order. Moreover, the boroughs lost their commercial monopoly through the extension of trading rights to the native Welsh, which was one of the results of the Union. Hence few Welsh towns were in a position to profit much by the expansion in home and foreign trade which was a feature of the later Tudor period.

IRELAND

Celtic Ireland.—Ireland, 'that vast expanse of emerald meadow saturated by the moisture of the Atlantic',[1] seems unmistakably designed by Nature to be a pastoral country, and this fact has coloured the whole course of her economic development. The Celts first came to the island as conquerors. Two races had preceded them; the Ernai, of Iberian stock, and the Cruithne, possibly a Teutonic people. But the Celts made no attempt to exterminate the native population. They were content to enslave it, and when the light of history dawns, Irish tribal society exhibits very marked inequalities. The old Irish code, the Brehon Laws, enumerates seven different social grades, but the most important practical division was that between the free and the unfree, corresponding originally no doubt to a distinction in blood. Celtic society in Ireland displays the features

[1] Macaulay.

which we have noticed elsewhere. The political unit was the tribe and the tribesmen were arranged in kindred-groups. Most land was held by some kind of family possession, but the chief, the brehon or judge, the bard and other officials and notabilities of the tribe had small estates assigned to them, over which they exercised rights of private ownership. The renting of land and the hiring of cattle were ways in which dependent relations might be established between the richer and the poorer members of the community. The political position of the chief entitled him to food-rents from the different kindred-groups and to free entertainment when he moved from place to place. The chief occupation of the tribesmen was cattle-raising. When the soil was cultivated, the system of co-aration known as *runrig* or *rundale* was practised, survivals of which may still be observed in the wilds of Connaught. Like most pastoral peoples, the Irish Celts had no taste for town life. They were ever on the move and were content with temporary homesteads. The fortified villages, known as *raths* or *cahirs*, which the Celts had at one time used to hold down the native population, were all in ruins by the twelfth century.

Anglo-Ireland.—The English conquest of Ireland was begun about 1170 by marcher barons from Wales, led by the famous Strongbow, Earl of Pembroke. Within the next hundred years, the invaders had covered the island with their castles and reduced the whole country to nominal subjection to the English Crown. But large areas remained, especially in the mountains, where the Celtic chiefs maintained their independence and preserved their old tribal economy. English rule and social institutions were confined mainly to the east, and especially to the district round Dublin known as the Pale. Elsewhere, the English settlers showed a constant tendency to slip back into Celtic barbarism. The Anglo-Irish colony continued to extend its borders till the close of the twelfth century, but after the Bruce invasion (1315–18), a decline set in which was not arrested till the reconquest of the island under Elizabeth. In the meantime, the area of the Pale steadily shrank until by the beginning of the Tudor period it was restricted to the four counties of Dublin, Louth, Kildare and Meath.

Within the Pale, a feudal system was established. The Norman invaders carved their estates into manors, settled their followers on them as free tenants and used the labour of the Celtic peasants or *betaghs* to till their desmesnes. The betaghs were unfreemen under the Brehon law and it was an easy task to assimilate their condition to that of the English villeins. In Irish medieval documents, the term *hibernicus* became synonymous with villein. Serfdom in Ireland went through the same process of decay as in England. The tendency to commute the labour services of the *betaghs* for money payments set in early, and indeed from the first the lords of Irish manors had employed an unusually large amount of hired labour in the cultivation of their desmesnes. The introduction of manorial methods seems to have had a beneficial effect on Irish agriculture. In the later Middle Ages, this pastoral country carried on an extensive export trade in grain with England and the Continent.

Outside the Pale, in the islets of English influence dominated by the stone castles of the invaders, a mixture of feudal law and Celtic custom prevailed. The Anglo-Irish tried to profit by their double position as feudal landlords and successors to the old Irish chiefs. They had English tenants from whom they exacted feudal rents and services, while from the native Irish they demanded the old tribal contributions of food as well as other primitive payments which went under uncouth names like *shragh*, *sowth*, *kernety*, *bonaght*, *coyne* and *livery*. (Coyne and livery, which was the English term for what the Irish called bonaght, meant the provision of man-meat and horse-meat for the use of the tribal chieftain.) An Anglo-Irish estate outside the Pale showed a curious blending of social influences. The superior tenants were English, holding by socage and freehold, but beneath them were various subordinate classes of Irish cultivators, often living in family groups, who rented land and stock for short periods after the old tribal fashion. Over the greater part of Ireland, feudalism had superimposed itself on tribalism, but without sufficient vitality to displace completely the more primitive system.

Town Life.—The earliest towns in Ireland were founded by the Norsemen who raided the country in the ninth century.

Along the eastern and southern coasts, they built fortresses which became the nuclei of prosperous trading settlements. Dublin, Waterford, Cork and Limerick were the most important of these Danish towns. The English invasion was responsible for a further development of urban life in Ireland. The Norse trading ports were endowed with English municipal institutions, and new towns were established round the castles of the Anglo-Irish nobility. Henry II gave Dublin a charter modelled on that of Bristol, and similar privileges were secured by Waterford, Cork, Limerick and Galway. In addition to these royal cities, there were a fairly large number of baronial boroughs, walled and unwalled. Medieval Irish towns were organized on the same lines as English municipalities. They had each a merchant gild and a varying number of craft gilds. The Dublin merchant gild was established shortly after the Norman invasion and by 1226 had a membership of over two hundred. The craft gilds came later. A document of 1498 enumerates more than twenty craft gilds in Dublin. The boroughs were centres of trade and of a rudimentary industry. Markets were held outside the town walls, to which the native Irish brought wool, hides, and grain, receiving in return simple manufactured articles. Commercial intercourse between English townsmen and Irish peasants was frowned on by the government, but was too necessary to the existence of the towns to be altogether suppressed. The overseas trade of Ireland was carried on by the citizens of the seaport towns and by merchants from France, Spain and the Low Countries. The chief exports were timber, wool, hides and grain, which were exchanged for wine, iron, salt, and spices.

The Irish towns from the first were strongholds of English influence (though there was no rigid exclusion of the native Irish from citizenship), and as such they earned the gratitude of the Crown, which conferred on them more ample privileges than most English municipalities could boast of. In the later sixteenth century, however, the attitude of the government altered. After the reconquest of the island under Elizabeth, the towns were no longer so necessary for garrison purposes, while their extensive privileges excited the jealousy of the

despotic Tudor monarchy. A campaign against their independence was instituted. Municipal liberties were invaded, charters revised, privileges curtailed. The prosperity of the towns waned, and their decline was reflected in the stagnation of industry and the decay of foreign and domestic trade. The Irish boroughs like the Welsh reaped little advantage from the establishment of more stable political conditions.

The First Plantations.—The sixteenth century witnessed the first experiments in the policy of confiscation and plantation on which the English government relied to solve the Irish problem. It was a ruthless policy. One civilization was to be substituted for another. The native Irish were to be cleared off the land and their places taken by English settlers. Celtic tribalism was to be extirpated, to make way for English land law and methods of landholding. The first plantation was attempted in 1556, when the districts of Leix and Offaly were declared English shire ground and renamed King's County and Queen's County. The resident tribes, the O'Mores and the O'Connors, were ejected and their land given to English and loyal Irish settlers. This was the signal for a local racial war which lasted for fifty years and was only terminated when the bulk of the native population had been exterminated and the remainder deported to other parts of Ireland. In 1586, a similar experiment was tried in Munster, lying desolate after the suppression of the Desmond rebellion. Large estates of from 4,000 to 12,000 acres were leased on easy terms to wealthy Englishmen (among the grantees were Sir Walter Raleigh and the poet Spenser), on condition that they brought over English emigrants to colonize the land. But the ' undertakers ' failed to implement their engagements. In their eagerness for rapid profits, they rented holdings to the local Irish, and when Tyrone's rebellion broke out in 1593, the Irish tenants rose and massacred the handful of English in Munster.[1] This plantation was a total failure. But the suppression of the Tyrone and other risings completed at last the subjugation of Ireland and left the native race at the mercy of their conquerors. The way was open for the resumption of the plantation policy on a more extensive scale, and its systematic application during the next century was

[1] Spenser's castle was fired and he had to flee for his life.

to have permanent effects on the future development of Ireland.

FURTHER READING.—Lloyd, *History of Wales*; Rhys and Jones, *The Welsh People*; Seebohm, *Tribal System in Wales*; Rees, *South Wales and the March, 1284–1415*; Vinogradoff and Morgan, *Survey of Denbigh*; Lewis, *Medieval Boroughs of Snowdonia*; Chart, *Economic History of Ireland*; MacNeill, *Celtic Ireland*; Joyce, *Social History of Ancient Ireland*; Orpen, *Ireland under the Normans*; Curtis, *History of Medieval Ireland*; Mrs. Green, *History of the Irish State to 1314*, and *Making of Ireland and its Undoing*; Maxwell, *Irish History from Contemporary Sources, 1509–1610*.

BOOK III

FROM THE SIXTEENTH TO THE EIGHTEENTH CENTURY

CHAPTER XVI

COMMERCIAL EXPANSION

Character of the Period.—The expansion of overseas commerce is the feature that gives this age its chief interest and significance. A transitional period between two economic revolutions, between the violent upheaval of the sixteenth century and the far-reaching Industrial Revolution of the eighteenth and nineteenth, it contrasts curiously with the epochs of rapid and convulsive change that precede and follow it. But this appearance of economic immobility is confined to internal development only. Agriculture and industry underwent no radical change in their organization or their technique. But international commerce was profoundly modified in its character as well as in its extent. The age-long traffic between East and West was diverted to new channels ; a new continent arose on the western horizon to provide fresh markets for exploitation ; the centre of international trade shifted from the narrow seas of the Baltic and the Mediterranean to the broad oceans ; and the economic leadership of the world passed from the Italian and German cities to the countries looking out on the Atlantic seaboard. In due course this commercial revolution became the parent of revolutions in industry and agriculture. But not until the latest age of European history did commercial expansion produce its full effects on internal economic organization. In the period we are considering, revolutionary change was confined to trade and to its auxiliaries, banking and finance. It is these aspects of economic activity that must chiefly engage our attention in the chapters that follow.

Causes of Commercial Expansion.—The *progress of navigation* was naturally an important factor in the development of overseas trade. In the later Middle Ages, the sailing ship

definitely superseded the rowing galley, and one of its chief handicaps was removed by the discovery of the art of tacking against the wind.[1] The early sailing ships were small, owing to the difficulty of increasing the size of vessels without endangering their equilibrium. Tall-masted ships had to be built correspondingly broad to maintain their balance, which made them unwieldy in shape and slow in motion. In the seventeenth and eighteenth centuries, this difficulty was gradually overcome with the aid of the mathematicians. The secret was discovered of building ships with narrow decks and long keels (the two essentials for speed). At the same time, the invention of scientific instruments like the compass, the quadrant, the telescope and the chronometer, and the production of improved maps by Mercator and other geographers, enabled mariners to attempt longer and more adventurous voyages. This led up to the second great cause of the commercial expansion of the period, the *geographical discoveries*. The object of all the early voyages of exploration was to find a new route to the East, which would deprive the Italians of their monopoly of the Oriental trade. An additional motive was supplied by the advance of the Ottoman Turks in the Levant, which was making the overland route to India increasingly difficult and dangerous.[2] There were several directions in which an alternative route to the East might be sought. One was round the continent of Africa. This route was explored by the Portuguese and was found to be practicable. In 1498, Vasco da Gama sailed round the Cape of Good Hope and reached India. Other explorers were less fortunate. In 1492, Christopher Columbus sailed west across the Atlantic. Assuming that the world was a sphere, he counted on reaching the coast of Cathay. But the unsuspected existence of a large mass of land lying on this side between Europe and Asia upset his calculations. Columbus discovered a new continent but not, as he had hoped, a new sea-route to India. Later attempts to find a

[1] The discovery is traditionally attributed to a Genoese admiral, Andrea Doria (1468–1560).

[2] This is the popular explanation of the voyages of discovery, but it has been pointed out that they commenced before the overland route was completely closed; see Lybyer, *English Historical Review*, 1915, pp. 577–88.

North-West Passage round the north of America failed, and though it was possible to reach Asia by sailing round Cape Horn, this entailed a longer and more dangerous voyage than the route by the Cape of Good Hope. The last possibility, a North-East Passage along the northern coasts of Europe and Asia, was explored by English navigators in the sixteenth century, but the frozen waters of the Arctic presented an impenetrable barrier to shipping. In the end, it had to be admitted that the only practicable sea-route to India was that which had been discovered by the Portuguese. For nearly a century, Portugal held a monopoly of the Eastern trade, and Lisbon took the place of Venice as the chief distributing centre for Oriental goods in Europe.

Commodities of International Trade.—The increased intercourse with Asia and America brought many new commodities within reach of European consumers. Tea, coffee, sugar, tobacco, calico and muslin, came to occupy an important place in everyday social and domestic life. These articles began by being luxuries. They ended by becoming necessities. And this change in social habits produced a significant change in the character of international trade. Previously it had been concerned with the supply of luxuries for the rich. Now it provided articles of ordinary consumption for the poor, and raw materials for the needs of industry. The change was of vital import for the future economic development of Europe. It was the first stage in the transition to industrialism. The roots of the Industrial Revolution are to be found in the commercial developments of this age of discovery and adventure.

Two commodities, it should be observed, held for a time an unusually important place in the overseas trade. These were silver and slaves. The scarcity of the precious metals was one of the motives behind Columbus's expedition, and in this respect at least, the enterprise fulfilled expectations. The silver mines of Mexico and Peru yielded the Spaniards the rich harvest of treasure which they coveted. A steady stream of bullion flowed across the Atlantic, quadrupling the stock of the precious metals in Europe,[1] and playing havoc with the price level. The rise in prices, as we have seen,

[1] Jacob, *History of the Precious Metals*, Vol. II, p. 70

was one of the contributing factors of the economic revolution of the sixteenth century. An indirect result of the new silver was the birth of the slave trade. Negroes were first brought from Africa to America to supply labour for the silver mines. In the traffic in human flesh, Englishmen played a regrettably prominent part. The Elizabethan sea-dog, Sir John Hawkins, first showed the enormous profits to be made by kidnapping African natives and selling them to Spanish colonists. In the seventeenth century, the trade became a monopoly of the African Company, but in 1698 it was thrown open to all British subjects. Puritan merchants from New England joined in it with enthusiasm, quieting their consciences with the reflection that they were bringing the benighted black man within reach of Christian instruction. In 1713, the acquisition by the Treaty of Utrecht of the *assiento*, i.e. the sole right to supply the Spanish American colonies with negroes, made Britain the greatest slave-dealing nation in the world. The commerce was a lucrative one and Parliament took it under its special protection, overruling the attempts of Virginia and other colonies to impose restrictions on it. It was only with the greatest difficulty, and in face of strenuous opposition from vested interests, that the slave trade was abolished in 1807.

England's Commercial Supremacy.—During the seventeenth and eighteenth centuries, the chief nations of Europe fought a series of commercial wars for control of the new overseas markets. From this prolonged struggle, England, through her command of sea-power, emerged the victor, vanquishing in turn Spain, Portugal, Holland and France. At the close of the Seven Years War (1763), she was supreme in India and America, and none of her rivals could compare with her in the size and importance of her colonial empire. As this was an age when every nation reserved its colonial trade for its own subjects, England had the largest overseas market and was indisputably the greatest trading nation in the world. The volume of her imports and exports grew from £4½ millions in 1613 to £13 millions in 1720 and £50 millions in 1796.[1] The stimulus to industry which was bound to follow

[1] These are conventional official figures, but are adequate for purposes of comparison.

on this commercial expansion and even the form it was to take were realized by at least one intelligent contemporary. The anonymous author of *Considerations upon the East India Trade* (1701) declared, 'The East India trade procures things with less and cheaper labour than would be necessary to make the like in England; it is therefore very likely to be the cause of the invention of arts and mills and engines, to save the labour of hands in other manufactures.'[1] This remarkable prediction of the advent of machinery as the result of the expansion in overseas trade was amply fulfilled in the eighteenth and nineteenth centuries. It was her foreign commerce that made Britain an industrialized country.

The Trading Companies.—In the exploitation of her overseas markets, England followed the example of her competitors and made use of monopolistic trading companies. The nature of the distant foreign trade demanded this. In the remote waters of the East and West, the home government could offer little assistance or protection to its subjects, and merchants had to provide for their own defence. This entailed heavy expenditure on guns, munitions, forts and ships of war, which could only be met by a company with large resources of capital. The addition of a trade monopoly was required, partly to assist in recouping this outlay, partly to give the company control over all English merchants trading in its area. For in these distant regions, the trading company represented the State and was held responsible for all offences committed by Englishmen against the subjects of other governments. It could only discharge this duty effectively if it was given a trade monopoly over a wide area. Throughout the seventeenth and early eighteenth centuries, this principle of the necessity for a well-ordered and regulated trade was never seriously questioned. The trading companies were often the objects of bitter attack, but their critics were not free traders in the modern sense. They wished, not to destroy the companies' monopoly, but to transfer it to some other privileged group. 'Trading in companies', said Bacon, 'is most agreeable to the English nature.' He might have said 'to the European nature', because all

[1] Quoted in Mantoux, *The Industrial Revolution in the Eighteenth Century*, p. 137.

the great commercial nations of the time followed the same practice.

Of the English trading companies, a few continued to be of the 'regulated' type. The Merchant Adventurers retained their monopoly till the Revolution, and kept their overseas depot at Hamburg, till Napoleon overran northern Germany after Jena. Another regulated company was the Eastland Company, dating from 1579. It controlled the Baltic trade until 1673, when Parliament removed Sweden, Norway and Denmark from its sphere of influence. Most of the famous English companies, however, adopted the joint-stock form, the company trading as a single unit. Joint-stock enterprise seems to have developed out of a combination of the medieval partnership and the legal corporation. In the fifteenth century, there were full-blown examples of it on the Continent (the Bank of St. George at Genoa is a notable instance), and it is not impossible that England imported the new form of organization from abroad. But there are also good reasons for believing that it grew up naturally on English soil, though foreign practice may have had some influence on the later development of the English joint-stock companies.[1]

The East India Company.—The greatest, though not the earliest of the joint-stock companies in England, was the East India Company, founded in 1600. At first, it applied the joint-stock principle only in a restricted fashion. Each voyage or expedition was treated as a separate enterprise, and the capital as well as the profits was divided among the shareholders at its conclusion. As the Company's permanent capital in the shape of trading depots, forts and ships began to accumulate, the inconvenience of the system of 'terminable stocks' began to be realized and it was ultimately abandoned. The expedient of treating a number of expeditions as a single venture was first tried, and then, in 1657, the practice of dividing capital as apart from profits among the shareholders was given up altogether. Thereafter the Company traded as a single unit and had one permanent, indivisible capital fund.

By its charter, the Company had a monopoly of the trade with all Asia, but its first objective was the Spice Islands

[1] Scott, *Joint-Stock Companies to 1702*, Vol. I, pp. 13–14.

or the Moluccas, where the pepper and cloves which were still in demand in Europe could be obtained in the greatest abundance. Here the English found themselves anticipated by the Dutch, who had already succeeded in driving out the Portuguese. Anglo-Dutch rivalry in the East Indies continued throughout the greater part of the seventeenth century, and on the whole the Dutch had the best of the contest. After the 'massacre' of Amboyna,[1] the English withdrew from the Spice Islands altogether and confined their activities to the Indian mainland, where they established trading depots or 'factories' at Surat (1609), Madras (1639), Calcutta (1650), and Bombay (1665). Trade with Persia was opened up in 1628, and a little later with China. The goods sent home by the Company were mainly spices, indigo, calico, saltpetre, silk, coffee and tea. One great handicap was the unsuitability of most European commodities for Oriental consumption. Woollen cloth, the staple product of England, was in little demand in these hot latitudes. Accordingly the Company had the utmost difficulty in finding exports to exchange for its imports and the balance of trade with the East was invariably unfavourable. The Company had to meet it by sending out bullion, which its charter gave it the right to do up to an annual limit of £30,000. This was contrary to all the ideas of the time and provoked much criticism. It was to answer these attacks that one of the directors, Thomas Mun, wrote his *Discourse on Trade* (1621) and his *England's Treasure by Foreign Trade* (1664), in which he sought to prove that the re-export of Oriental goods from England to the Continent brought in a larger supply of bullion than the amount sent out to India to pay for them. Even after the restrictions on the export of bullion were removed by Parliament in 1663, the Company continued to suffer criticism on this head. There were other weaknesses in its position. It was a Crown-chartered company, but the Crown did not scruple on occasion to authorize rival groups of merchants to trade with the East. Courten's Association

[1] This was the judicial murder of a number of English merchants who were falsely accused of plotting to seize the Dutch fort in the island of Amboyna. In 1653, Cromwell exacted £85,000 from the Dutch as compensation for this incident.

(1637) was an instance. On the other hand, Parliament and the Whigs disliked the Company because it was a creation of the Crown. For a time, after the Revolution, its position became precarious. Parliament in 1698 sanctioned a rival company which was to supplant the old, but the directors were able to arrange a compromise by which the two competing groups were amalgamated in 1706 as the United Company of Merchants trading to the East Indies.

During the eighteenth century, the victory of Britain over France endowed the Company with territorial sovereignty over a large part of India and created the political anomaly of a group of merchants ruling a huge empire. Nevertheless, the home government was slow to take over responsibility. In 1784, Pitt's India Act established a Board of Control in England and a Governor-General and Council in India. But the Company was retained as an organ of administration and it continued to function in this capacity until its dissolution in 1858. It had previously lost its monopoly of the Indian trade in 1813 and of the China trade in 1833.

Other Companies.—The earliest of the joint-stock companies was the *Russia Company*, formed in 1553 to finance the attempt of Willoughby and Chancellor to discover a North-East Passage. The expedition failed in its main purpose, but it succeeded in opening up trade with Russia. A commercial treaty was negotiated with the Tsar of Muscovy, which conferred a privileged position on English merchants. At different times, the Company tried to develop an overland trade with Persia and the East but without much success. By the middle of the seventeenth century, the English merchants had lost their privileged position in Russia, and the Company's prosperity began to decline. It was reorganized on a 'regulated' basis, and in this form survived till the end of the eighteenth century. The *Levant Company* was established in 1581 to exploit the trade with Turkey and the Mediterranean. Its entry fees were low (they were made still lower by Parliament in 1753) and its monopoly was never felt as a grievance. The Company was dissolved in 1825. With the west coast of Africa, commercial intercourse was maintained by a series of chartered companies, most of which were active in developing the slave trade. In 1698,

the trade was thrown open, and in 1750, the *Africa Company* assumed the 'regulated' form. It was abolished in 1821. The *Hudson Bay Company* was founded in 1690 to develop the Canadian fur trade. Alone of all the great joint-stock companies, it still exists, though it lost its monopoly in 1869. The *South Sea Company* was formed in 1710 and received a monopoly of the trade with the Pacific. Not content with this, it entered the field of finance and offered to take over the management of the National Debt, converting it to a lower rate of interest. This was the origin of the discreditable financial episode known as the South Sea Bubble (1720). A speculative mania seized the English public. The Company's shares soared to incredible heights and then crashed. When the crisis was liquidated, the Company went back to ordinary trading. Between 1713 and 1750, it held the *assiento* (p. 166) and enjoyed the right of sending one trading ship annually to the Spanish American colonies. But none of its many enterprises achieved very brilliant success. It lost its monopoly in 1807.

Except for two brief periods when there was a Spanish trading company (1577–1606) and a French trading company (1611–60), trade with France, Spain and Portugal was free. Similarly, after the dissolution of the early colonizing companies, the Plymouth Company, the Virginia Company, &c., there was no restriction on trade with the American colonies. But this was the limit of the free trading area. The rest of the world was partitioned among the great trading companies, and no Englishman could do business with any part of it without belonging to the appropriate company. This was the practical application of the contemporary theory that foreign trade, especially the distant foreign trade, must be 'well ordered' and 'regulated'.

FURTHER READING.—Lipson, *op. cit.*, Vol. II, chap. ii; Cunningham, *Growth of English Industry and Commerce*, Vol. II, pp. 214–84; Day, *History of Commerce*, Pt. III; Scott, *Joint-Stock Companies to 1702*; Hewins, *English Trade and Finance in the Seventeenth Century*; Hammond, *Rise of Modern Industry*, Pt. I; Gillespie, *Influence of Overseas Expansion on England to 1700*.

CHAPTER XVII

THE MERCANTILE SYSTEM

Secularization of Economic Thought.—The commercial revolution which we have just described was contemporary with an important change in the view that men took of economic activity. In the Middle Ages, as we have seen, economic speculation was deeply tinged by ethics. Life was regarded as a whole, and every branch of human conduct was subject to the laws of Christian morality. Economic phenomena were studied solely in order to discriminate between evil practices and good. The canonist teaching on usury and just price sufficiently illustrates an attitude which persisted till after the Reformation. But the age of the Reformation saw the beginning of a tendency to water down Christian teaching in its application to economic practice. In the seventeenth century, the movement gathered strength and finally triumphed in the eighteenth, when a complete divorce was established between economics and ethics. This victory of the secular spirit was due partly to the growing complexity of the economic organization, which made the prescription of general moral standards increasingly difficult, partly to the tendency, characteristic of Protestantism and especially of Calvinism, to refer all dubious points of morality to the individual conscience. In the end, churchmen, both Catholic and Protestant, came to take up a neutral position in regard to economic activity. From the moral standpoint, money-making in itself was neither good nor bad. Everything depended on the motive with which it was undertaken, and the use made of the wealth when acquired. And these were matters for the individual conscience to settle. At the same time, there was nothing inherently wicked in the pursuit of wealth. The world of business offered as ample a field for

the practice of the moral virtues as any other department of life. Moneymaking might be carried on for the greater glory of God. From this it was but a step to the conclusion that ethics and economics were two separate departments of life and thought, having no vital connexion with each other, or as an eighteenth-century writer pithily put it, ' trade is one thing and religion is another '.[1] The death of the Puritan divine, Richard Baxter (d. 1691), removed the last representative in this country of the traditional Christian attitude towards economics.[2] The next generation of religious teachers, Anglican and Nonconformist alike, completely gave up the attempt to apply moral rules to the conduct of business.

Mercantilism.—Economic activity being thus relieved from the stigma which Christian teaching had tended to put on it, the way was open for systems of economics conceived in a more worldly spirit. Economic speculation retained its practical character. The stage of dispassionate scientific thinking was still far off. But the practical object which engaged the attention of economists was different. It was no longer to distinguish between good and evil economic practices, but to discover ways and means of making individuals and nations rich. In the school of writers and thinkers whom we call the *mercantilists*, the new economic outlook found expression. We are hardly justified in speaking of a mercantile *system*. Mercantilism was never a body of scientific doctrine. At best, it was a collection of temporary expedients, a thing of shreds and patches. Nor were its exponents theorists but rather practical men of business or statesmen, absorbed in the attempt to solve pressing contemporary problems. Their books were short controversial pamphlets, written with an eye on some practical difficulty. None of them were scientific treatises which attempted to make a complete survey of the economic field. Paradoxically, the first to present mercantilism as a unified body of doctrine was its great opponent and destroyer, Adam Smith. In the writings of its own supporters, it

[1] Quoted in Tawney, *Religion and the Rise of Capitalism*, p. 192.

[2] For Baxter's views, see J. Tawney, *Chapters from Richard Baxter's Christian Directory.*

appears little more than a particular way of thinking about economic phenomena.[1]

Mercantilism bore the impress of the age in which it was born. As its name implies, it attached greater importance to trade than to industry or agriculture, and greater importance to foreign trade than to domestic. This was a consequence of the immense profits which were being reaped in the distant trade with Asia, Africa and America. In their early days, some of the great English trading companies declared dividends running into hundreds per cent. The inference seemed logically to follow that what was profitable to individuals was beneficial to the community as a whole. Hence trade was preferred to agriculture and industry, and the distant trade to the near trade. This, however, is only one aspect of mercantilism and not the most important one. The real clue to its significance is to be sought in other directions, especially in the political developments of the period, which were creating powerful national states like Spain, France and England. Mercantilism was the economic counterpart of nationality in politics. It was a system of economic nationalism, and like all such systems, it was narrow and selfish. To the mercantilist, the world contained a fixed quantity of trade and material prosperity, of which each nation must struggle to obtain the largest share. It followed that the prosperity of one country could only be achieved at the expense of others. The conception of the benefits of trade as mutual was incomprehensible to the men of that time.[2] Political rivalry had its natural issue in economic warfare, and the tariff of every country bristled with prohibitions and protective duties, designed to cripple the strength of its competitors. The connexion between

[1] The most notable English writers on mercantilism were Gerard Malynes and Thomas Mun in the seventeenth century; Joshua Gee and Malachi Postlethwayt in the eighteenth. The Whig philosopher, Locke, published a defence of the doctrine of the balance of trade. See his *Consideration of the Consequences of the Lowering of Interest* (1691).

[2] Cf. Pepys. 'To the Coffee-house with Captain Cocke, who discussed well of the good effects in some kind of a Dutch war and conquest, . . . that is, that the trade of the world is too little for us two, therefore one must down.' *Diary*, February 2nd, 1664.

mercantilism and 'state-making' has been emphasized by Schmoller,[1] but this side of the system was not so prominent in England, where the creation of a national state was long anterior to the rise of a national economy. Nevertheless, in England as elsewhere, the primary object of the mercantilists was 'national power', and the accumulation of national wealth was considered merely a means to this great end. Whenever the two conflicted, wealth was unhesitatingly sacrificed. But this clash of interests was exceptional. Normally, national wealth was the surest foundation of national strength, and therefore the policy of the mercantilists was consistently directed towards making the nation rich.

Another feature of mercantilism, to which Adam Smith directed perhaps disproportionate attention, was the excessive importance which it attached to the precious metals. The treasures acquired by Spain in the New World had dazzled men's minds, always prone to confuse wealth with gold and silver, and the accumulation of a national bullion hoard became a leading object of State policy. That mercantilist thinkers were guilty of the fallacy of identifying wealth with money is not now generally accepted, but they can hardly be acquitted of the charge of investing bullion with a fictitious importance. For this mistake, it is true, there was some excuse in the circumstances of their time. When credit was only imperfectly developed and the majority of exchange transactions were carried through with metallic money, an adequate supply of gold and silver was an indispensable condition of a country's economic prosperity. Moreover, in time of war, the value of a bullion hoard to the State could not be disputed.[2] But these are merely extenuations of what must still be reckoned the chief error of the mercantilists. It remains true that they took an exaggerated view of the importance of gold and silver in the economic mechanism, and in particular, their belief that the measure of a nation's wealth is the amount of its treasure was based upon a gross fallacy.

[1] See his *Mercantile System*, translated by Ashley (Economic Classics, 1910).

[2] The German government maintained a bullion hoard for war purposes at Spandau down to 1914.

The Balance of Trade.—In mercantilist reasoning, the need for a favourable balance of trade was regarded as axiomatic. A country was prosperous when it had a plentiful supply of treasure, and if the country did not itself possess gold or silver mines, this could only be obtained by maintaining a permanent excess of exports over imports. All the practical devices of the mercantilists had the dual aim of checking imports and stimulating exports. Domestic agriculture and industry were protected by tariff duties, in order that the country might be made self-supporting, and bounties were paid to encourage the production of a surplus for export. Even the protection granted to native shipping was due as much to the desire to increase the nation's ' invisible ' exports as to the policy of fostering its maritime strength.

The policy of the balance of trade took the place of earlier and cruder methods of augmenting the nation's treasure, such as the medieval prohibition of the export of coin and bullion (abandoned in respect of bullion in 1663) and the Statutes of Employment which compelled foreign merchants trading with England to spend part of their gains in the purchase of articles of native manufacture. The doctrine itself underwent further refinement in the early seventeenth century. A distinction was made between the *general* balance (i.e. the balance of a nation's total exports compared with its imports) and the *particular* balances in the different branches of its trade with separate countries. Mun's great contribution to mercantilist theory (in the two books mentioned on p. 169) was to demonstrate the relative unimportance of particular balances compared with the general balance. Provided the general balance was favourable, there was no need for anxiety should one or other of the particular balances be adverse. Indeed, as in the case of the Indian trade, which Mun wrote to defend, an unfavourable particular balance might be an essential factor in procuring a favourable general balance. The export of bullion was not always to be condemned. It might sometimes be as necessary as the apparent sacrifice of seed-corn by the farmer.

> If we only behold [wrote Mun] the actions of the husbandman in the seed-time when he casteth away much good corn into the ground, we will rather accompt him a madman than a husbandman : but when

we consider his labours in the harvest which is the end of his endeavours, we find the worth and plentiful encrease of his actions.[1]

This became the orthodox view, but its influence on practical policy, as we shall see, was much less than the respect paid to it in theory.

Mercantilism in Practice.—Like all systems of nationalist economics, mercantilism in practice relied on the instrument of State intervention. The mercantilists believed in a planned economy, in which the energies of the nation were harnessed and directed towards a pre-established end. This end was the creation of national wealth as a basis of national power. All the practical expedients of the mercantile system become intelligible in the light of this conception, especially if it is remembered that the mercantilist barometer of national prosperity was the size of the gold and silver hoard within the kingdom.

The following are some illustrations of the kind of measures favoured by the mercantilists in the different departments of the national economy.

(*a*) *Agriculture.*—The general tendency of the mercantilists was to despise agriculture, but in England where the landed interest enjoyed political supremacy, this attitude was less pronounced than in France, for instance. The English agriculturist enjoyed tariff protection. In the Middle Ages, there had been corn laws, but they were designed in the interest of the consumer, their main object being to restrict exportation when corn was dear. The first important law to protect corn producers was passed in 1663. It imposed a duty of 5*s.* 4*d.* on foreign wheat when the price fell below 48*s.* a quarter. Later, in 1670, a sliding scale of duties was established varying with the price of grain. In addition to this protection in the home market, the English farmer was given a bounty on export. The first bounty law was passed in 1673, but lapsed a few years later. It was succeeded by the better-known Corn Bounty Act of 1689. A bounty of 5*s.* was paid on every quarter of wheat shipped abroad, when the price did not exceed 48*s.*[2] In the later eighteenth century,

[1] *England's Treasure by Foreign Trade*, p. 19.

[2] Similar bounties were paid on rye and barley. For an account of the bounty system, see Barnes, *History of the English Corn Laws*, chaps. ii, iii.

owing to the rise of corn prices, this Act became inoperative, but it remained on the statute-book till 1814.

(*b*) *Industry.*—The industrial policy of the mercantilists can be best illustrated from the measures taken to foster England's premier industry, clothmaking. In order to ensure a plentiful supply of raw material, the export of wool was made a felony, at a time when the punishment for felonies was death. The extreme severity of this law interfered with its due execution, and milder penalties were substituted in 1696, but the embargo on the export of wool was maintained. Foreign cloth was shut out by heavy duties, and the wearing of competing products like Chinese silks, Indian calicoes and French cambrics was directly forbidden by statute.[1] Positive measures were taken to encourage the consumption of the staple English product. A law of 1667 ordered the dead to be buried, wrapped in woollen cloth, and in 1698, magistrates, judges, professors and students were enjoined to wear gowns of woollen manufacture. That foreigners might not penetrate the secrets of English industrial processes, the emigration of skilled artisans was forbidden in 1718 and the export of machinery in 1696 and 1774. On the other hand, foreign workers were encouraged to migrate to England. The progress of the English silk industry owed much to Huguenot weavers who settled in London and other towns after the Revocation of the Edict of Nantes (1685).

(*c*) *Shipping.*—The Navigation Acts of 1651 and 1660 confined trade between England and her overseas possessions to English shippers. Goods of European manufacture might be imported into England by foreign ships from the place of origin, but paid a surtax. The term 'English ships' was restricted in 1662 to vessels built in England or her colonies. This has long been regarded as the least vulnerable part of the mercantile system, chiefly because of the approval bestowed on it by Adam Smith. After acknowledging that the Navigation Acts were not favourable to foreign commerce, or to 'the growth of that opulence which can arise from it', he added, 'As defence, however, is of much more importance

[1] The wearing of foreign silks was forbidden in 1700, of calicoes (by the Calico Act) in 1721, of French cambrics in 1745.

than opulence, the Act of Navigation is, perhaps, the wisest of all the commercial regulations of England.' [1] Recent opinion tends to take a less favourable view of the Navigation Laws. It is doubtful if they fulfilled their primary object of increasing England's maritime strength. English shippers obtained a monopoly of the colonial trade, but England was placed at a disadvantage in regard to the trade with the Baltic. In this region, English merchants had been in the habit of using foreign-built ships, the vessels constructed in English shipyards not being entirely suitable for navigation in these waters. This practice was prevented by the Navigation Acts, with the result that the Dutch obtained an undisputed ascendancy in the Baltic trade. If the loss is compared with the gain, it is extremely doubtful if England profited by the restrictive policy. The old idea that the Navigation Acts destroyed the commercial supremacy of the Dutch can no longer be entertained. No noticeable decline in Dutch shipping followed the passing of the Acts. Holland's commercial greatness did not begin to wane till the eighteenth century. It is impossible to establish a connexion between her decadence and the economic policy of England.

(*d*) *Foreign Trade.*—From the Restoration onwards, England's trading relations were determined by mercantilist conceptions, but curiously enough, except in regard to the India trade, Mun's teaching about the unimportance of particular balances was not applied in practice. The customs returns continued to be scanned to discover which countries sold us more than they bought from us, and prohibitions and embargoes were imposed on commercial intercourse with those nations with which the balance of trade was deemed to be unfavourable. On this ground, the Whigs, whose associations with the commercial classes made them the great upholders of the mercantile system in England, sought to discourage the trade with France, which, it was alleged, drained England of bullion to the extent of £1,000,000 a year. Scarcely had the party come into existence, than it forced a bill through Parliament prohibiting the import of French wines, brandies, linen and paper (1678). During the period of Tory reaction after the Rye House Plot, the embargo was

[1] *Wealth of Nations* (World's Classics), Vol. II, pp. 42–3.

lifted (1685), but it was reimposed during the two long wars with France, 1689-97 and 1704-11. In the meantime, the Whig tariff policy did not pass unchallenged. About 1690, the French trade was defended by a number of Tory pamphleteers, Child, North, Barbon, and, a little later, Davenant. Rather undeservedly, these writers have obtained the reputation of being the first exponents of free trade in England. At best, they were only moderate and enlightened mercantilists. They attempted no direct refutation of the doctrine of the balance of trade, and the extent of their criticism was to revert to Mun's argument about the unimportance of particular balances and to dwell on the defectiveness of the customs returns which made the striking of accurate balances well-nigh impossible.[1] In 1713 a last attempt was made to open up trade with France. The Tory ministry which concluded the Peace of Utrecht made proposals for a commercial treaty with a mutual reduction of tariffs, but the hostility of the commercial classes was so great that Parliament rejected the project. For the next three-quarters of a century, the policy of restriction prevailed uninterruptedly and the trade with France shrank to insignificant dimensions.

With Portugal, on the other hand, with which the balance of trade was held to be favourable, commercial intercourse was encouraged. The Methuen Treaty (1703) admitted Portuguese wines to this country on payment of two-thirds of the duty levied on French wines, and made port instead of claret the popular drink of the English upper classes. In return, the Portuguese government removed the embargo on English woollens which had been imposed in the interests of the native cloth industry and allowed English cloth-makers to capture the Portuguese market. Portugal had gold mines in Brazil, and the Portuguese trade was believed to bring £50,000 worth of bullion into London every week. The Methuen Treaty was regarded as a masterpiece of political and commercial wisdom. In combination with the embargo on French trade, it formed the keystone of the fabric of mercantilist policy in England.

[1] See Ashley's essay on ' The Tory Origin of Free Trade Policy ' in *Surveys, Historic and Economic*, pp. 268–303.

The Colonial System.—Mercantilism grew up during an age of imperial expansion and a great number of its regulations were concerned with the treatment of colonies and overseas possessions. The colonial policy of the mercantilists may be most simply described by saying that they treated colonies as they would have liked to treat independent foreign states. In other words, they completely subordinated their interests to those of the mother-country. According to the mercantilist conception, a colony had two main functions: to provide the mother-country with the commodities which it could not produce for itself, and to furnish an outlet for its manufactured goods. The kind of colony most in favour was of the tropical or sub-tropical kind, the products of which did not enter into competition with those of the mother-country. The West Indies with their sugar and indigo, Virginia with its tobacco, and the Carolinas with their rice, were more highly esteemed than New England, whose agricultural and industrial production too closely resembled those of England to make her the complement of the English economy. Partially to reconcile these divergent interests, the New Englanders were encouraged to produce naval stores, for which England had had hitherto to rely mainly on the Baltic countries. In 1705, bounties were granted on tar, pitch, resin, turpentine, hemp and timber, but with little success, except in the case of pitch and tar. Where the economic activities of the colonists could not otherwise be prevented from assuming a form inconvenient to the mother-country, they were restrained by legal enactment. In 1699, the export of colonial cloth beyond the boundaries of the colony in which it was produced was forbidden by statute. A similar restriction was imposed in 1732 on the American hat industry, and in 1750 the erection of iron-slitting mills, plating forges and steel furnaces was prohibited. The overseas trade of the colonies was likewise regulated in the interests of the home-country. The Navigation Act confined the carrying trade between England and her plantations to English (including colonial) shippers. A list of *enumerated* articles (so called because they were enumerated in the Navigation Acts), including tobacco, sugar, indigo, rice, naval stores and copper, could be exported from the

colonies only to England.[1] At the same time, by a statute of 1663, all commodities of European manufacture were to be shipped to the colonies only from English ports.

It is probable that in practice, these restrictions did not press very hardly on the colonists. The discouragement of manufactures could do little harm to communities which were still manifestly at the agricultural stage, and the commercial regulations probably did little more than direct trade into channels through which it would have flowed naturally, if left to itself. England had obvious advantages as an entrepôt or distributing centre in the trade between Europe and America. There is much truth in Brougham's assertion that 'the restrictive policy . . . only secured, by a superfluous and harmless anxiety, that arrangement which would of itself have taken place if things had been left to their natural course'.[2] The course of events before and after the American Revolution supports this view. There is no evidence that the trade restrictions contributed more than a minor element to the discontent of the colonists, and the achievement of their liberty produced no material change in the American economy for another thirty or forty years. The colonies remained, as they had been before, predominantly agricultural communities, and the bulk of their export trade continued to flow through English ports.[3]

FURTHER READING.—Tawney, *Religion and the Rise of Capitalism*, Pts. III and IV; H. M. Robertson, *Aspects of the Rise of Economic Individualism*; Lipson, *op. cit.*, Vol. III, chap. iv; Cunningham, *Growth of English Industry and Commerce*, Pt. VI, chap. xiv; Gray, *Development of Economic Doctrine*, chap. iii; Horrocks, *Short History of Mercantilism*; Hecksher, *Mercantilism;* Gill, *National Power and Prosperity*; *Cambridge History of the British Empire*, Vol. I, chap. xx, 'Mercantilism and the Colonies', by J. F. Rees; Beer, *The Old Colonial System*; Adam Smith, *Wealth of Nations*, Book IV, chaps. i–viii.

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[1] After 1730, Carolina was permitted to export rice direct to European countries south of Cape Finisterre.

[2] *Inquiry into the Colonial Policy of the European Powers*, 1803, Vol. I, p. 246.

[3] See Ashley's *Surveys, Historic and Economic*, pp. 309–60, for a discussion of this point.

CHAPTER XVIII

AGRICULTURAL AND INDUSTRIAL DEVELOPMENTS

AGRICULTURE

Enclosures.—We have already referred to the mistaken notion that the enclosure movement came to an end somewhere about the year 1600. So far from this being true, enclosing continued throughout the seventeenth century on a scale sufficient to provoke popular outbreaks and to call for the intervention of the government. In 1607, there was a Levellers' or Diggers' rising in the Midlands, which had to be put down by military force. During the turmoil of the Commonwealth period, disturbances were frequent and resentment at enclosures was one of the influences that produced the movement in favour of agrarian communism, associated with the name of Gerard Winstanley.[1] The attitude of the State during the first half of the century remained unchanged. Though most of the laws against enclosures were repealed in 1624, action continued to be taken against enclosing landlords on the ground that depopulation was an offence under the common law. During the period of Charles I's personal rule (1629–40), the government was particularly active. Commissions were appointed in 1632, 1635 and 1636, and the Privy Council showed energy in bringing offenders to justice, stimulated no doubt by the knowledge that the fines imposed were a valuable supplement to the royal revenue. At the council board, Archbishop Laud lost no opportunity of showing his animosity against enclosers, and it is probable that

[1] In 1649, Winstanley and a band of enthusiasts began to dig up and plant St. George's Hill in Surrey. They were dispersed by troops. For Winstanley's ideal of a communist utopia, see James, *Social Policy during the Puritan Revolution*, chap. iii, and Bernstein, *Cromwell and Communism*, chap. x.

the attitude of the Crown and its advisers towards the agrarian problem drove many of the landed gentry into the ranks of the Parliamentary opposition. Lord Saye and Sele, who was associated with Hampden in the refusal to pay ship-money, was an enclosing landlord who had felt the heavy hand of the Privy Council.

After the Restoration the attitude both of the government and of public opinion towards enclosures became more favourable. Partly this was due to the final victory of Parliament over the Crown in the constitutional struggle, which made the landlord class the political masters of England for a century and a half, partly it was a consequence of the new economic outlook, which justified self-interest as a motive of economic activity and conceded to the individual the right to do what he liked with his property. But there were other reasons. Both the purpose and the method of enclosures had changed since the sixteenth century. The main object continued to be the conversion of arable into pasture, but enclosure for the sake of improved arable was taking place to an increasing extent, and this kind of enclosure did not produce depopulation. There was no longer the same dread that enclosing would cause unemployment among rural workers and general scarcity of food, for the output of corn was increasing and population was supposed to be declining. Another circumstance that mitigated opposition was the increasing tendency to arrange enclosures by agreement between the lord and his tenants, sometimes ratified by a decree in Chancery. This led up to the use of private bills or statutes which was to become so important in the eighteenth-century Enclosure Movement. Finally, enclosures were no longer so frequent nor on so large a scale as they had been in the sixteenth century. For all these reasons, then, the enclosing movement, after the Restoration, was allowed to run its course without much restriction or interference from the State. When Parliament discussed the subject, as it did in 1664 and 1666, it was to encourage enclosures, not to put obstacles in their way.

Technical Progress.—No revolutionary change took place in the practice of agriculture during this period, but there were premonitions and hints of some of the reforms that

were later carried through by the agricultural improvers of the eighteenth century. A feature of the time was the very respectable output of agricultural literature that was maintained. Plattes, Weston, Hartlib, Blith and Worlidge are writers with an honourable reputation in the history of agricultural improvement, and the researches of the Royal Society (founded 1662) were of assistance in promoting the growth of agricultural science.[1] At this time, Dutch and Flemish farmers were the foremost in Europe and from them came the suggestion of such novel practices as the growing of turnips in fields and not merely in gardens, the adoption of sensible methods of drainage and the more extended use of manures. Progress was made in the reclamation of waste lands, and in this connexion the draining of a great part of the Fen district was a notable achievement.[2] But no radical innovation in agricultural practice took place except the appearance in some districts of the system of *convertible husbandry*. This, which may be described as a half-way house between the old three-field system and the modern scientific rotation of crops, was an indirect result of the first Enclosure Movement. Fields which had been used for prolonged periods for grazing acquired a high degree of fertility through the lengthy fallowing and the manure of the animals fed on them. It became profitable to plough them up for crops. In some districts, this method was systematized. Fields were used alternately for grazing and cropping (hence the name *convertible* husbandry), and the output of the land was sensibly augmented. No reliable figures are available for the agricultural production of England in the later seventeenth century, but the low price of corn and the growth of a considerable export trade may be taken as evidences of solid progress.

Land Laws.—The seventeenth century marks an important

[1] See article by R. Lennard on 'English Agriculture under Charles II' in the *Economic History Review*, October, 1932.

[2] It was accomplished in the first half of the seventeenth century, mainly with the aid of a Dutch engineer, Vermuyden. But the Fenmen, who lived by hunting and fishing, objected to the conversion of their district into an arable region. They never relaxed in their opposition and by the end of the century, much of the reclaimed land had reverted to its primitive condition.

turning-point in the history of English land law. We have already noticed the long struggle between aristocratic landowners who wished to tie up their estates, and the legal profession bent on maintaining free trade in land. The cause of freedom had hitherto triumphed. The skill of the lawyers had baffled all attempts by legislation or otherwise to enforce the feudal custom of entail. But in the seventeenth century, victory went over to the other side. The landed interest won over the lawyers to their point of view and the ingenuity of conveyancers was directed towards finding a more effective way of tying up land than the clumsy device of entail. The issue of their labours was the method of the 'strict settlement', for the invention of which, Orlando Bridgman, a conveyancer of the Commonwealth period and afterwards Lord Keeper, generally gets the credit. Stripped of its legal technicalities, the new method amounts to this, that a landowner can tie up his estate for his own lifetime and induce his heir to do the same. The heir is under no compulsion to follow his father's example, but the influence of class sentiment, the persuasion of relatives and the promise of an income from the estate during his father's lifetime will nearly always be sufficient to induce a young man of twenty-one to sign away his full rights of ownership. When the heir reaches his majority, he agrees to pass on the estate undiminished to his successor. This process is repeated generation after generation, so that all the benefits of an entail are obtained without any of these 'perpetuities' or perpetual grants which the law regards with suspicion. The invention of strict settlements reversed the whole tendency of English land law. The influences which had formerly worked in favour of the breaking-up and dispersion of large estates were now directed towards their creation and maintenance, and the foundations were laid of that aristocratic organization of landholding which gives English rural society to-day its unique character.

The new tendencies required time to work themselves out, and they had barely begun to show themselves in the seventeenth century. Small landowners or 'yeomen' during this period formed an important element in English society. Their numbers are not easy to estimate, partly owing to

the contemporary practice of applying the term ' yeoman ' to substantial tenants as well as to landowners. Gregory King, the statistician, calculated that there were 140,000 small freeholders in England in 1696, out of a total population of 5½ millions; but in this group he included copyholders and life-tenants. However, it is clear that England retained an important rural middle class till the close of the seventeenth century. The history of the decay of the yeomen is involved in much obscurity, but there is ground for believing that the first symptoms of decline appeared in the period after the Revolution of 1688.[1] The revolutionary change in the attitude of English lawyers to large landed properties no doubt played a part in preparing the way for the disappearance of this social class.

INDUSTRY

Industrial Organization.—Little essential change took place in the general framework of industry during the period under review. The unit of production remained the domestic workshop, and the economic position of the small industrialist did not alter much from what it had been in the later sixteenth century. A large number of industries continued to operate within the limits of the gild system, modified in the way we have already observed (see pp. 101–4). New gilds and companies were established throughout the seventeenth century, and the practice of incorporating craftsmen by Crown charters, to which the earliest gilds owed their existence, was resumed by the first two Stuart kings. Their motives were partly a desire for revenue, partly a genuine wish to protect and encourage the small industrialist. In many cases, these Crown grants made wider the division which had appeared in the more advanced gilds between the commercial livery and the industrial yeomanry. The liverymen had already received royal charters of incorporation. Now a similar privilege was conferred on the yeomanry, and the separation between the two sections was made complete. Thus the London Pinmakers, incorporated in 1603, were made independent of the Girdlers, and the Feltmakers, who received a royal charter in 1604, broke away from the Haberdashers'

[1] Johnson, *Disappearance of the Small Landowner*, p. 136.

Company. The charter was often accompanied by the grant of a monopoly, to exploit which the craftsmen called in the aid of outside capitalists. But it was seldom that the small industrialist derived much profit from schemes designed primarily in the interest of professional financiers. The later history of these Stuart corporations of small masters bears some resemblance to the earlier history of the gilds. Inequalities appeared. With the expansion of industry, some of the more prosperous masters became fairly large employers of labour. They formed an aristocracy within the corporation, and the smaller masters were driven to make common cause with the journeymen. In this alliance, some historians have detected the germs of modern trade unionism.[1]

Amongst the textile industries, wool still held pride of place. At the Revolution, its annual output was estimated as little less in value than the whole produce of the soil.[2] Spinning and weaving were carried on all over England, but as early as the sixteenth century, clothmaking had shown a tendency to localize itself in three main areas—Yorkshire, East Anglia and south-west England. The industry generally was organized on the domestic system, but there were local differences and in particular a very pronounced contrast between Yorkshire and south-west England. In Yorkshire clothmaking was in the hands of small manufacturers. The Yorkshire ' clothier ' was an independent producer. He did not work on commission but disposed of his cloth on a footing of equality to travelling merchants. Weekly markets for this purpose were held in the northern towns, and Daniel Defoe, who toured the north in 1724, has left an interesting description of the clothmarket held in the Briggate, Leeds.[3] Production was on a small scale. Defoe noted that few clothiers brought more than one piece of cloth to market, which was just sufficient to keep a weaver and his family

[1] See Unwin, *Industrial Organization in the Sixteenth and Seventeenth Centuries*, chap. viii.

[2] The value of the output of woollen cloth was estimated at £8 millions ; of agricultural produce at £9 millions ; Lipson, *Economic History*, Vol. II, p. 11.

[3] For extracts from Defoe's description of the woollen industry, see Bland, Brown and Tawney, *Select Documents in Economic History*, pp. 482–7.

occupied for a week. Clothiers sometimes employed journeymen, but relations between masters and men were uniformly friendly and the wage-earner had every prospect of becoming in time an independent producer. An element of strength in the Yorkshire manufacturer's position was his possession of a small holding of from 3 to 15 acres, which he used to rear a few cows and a horse to carry his cloth to market.

The system prevailing in south-west England was a complete contrast to this. The ' clothier ' here was not a craftsman but a merchant-employer with hundreds of hands in his pay. The craftsman proper was not far removed from a wage-earner. He owned the instruments of production and worked on commission. But sometimes even this vestige of independence vanished. The clothier bought up the looms and hired them out to weavers who had to work for him and for no other employer. During the seventeenth and eighteenth centuries, the condition of the West Country domestic worker steadily deteriorated, until a Parliamentary Committee reporting in 1806 could see no difference between it and that of the factory hand. The pay was small ; hours were long ; women and children were worked beyond their strength. Most of the evils which we associate with factory production were familiar features of this form of domestic industry.

The cotton industry, which the Industrial Revolution was to raise to the first place in England, was of no great importance in the seventeenth century and was almost entirely confined to Lancashire. How an industry dependent on a raw material from overseas came to be established in what was then a remote and backward part of England has never been satisfactorily explained. The earliest ' cottons ' were simply coarse woollens, but about 1600 ' fustians ', which were a mixture of true cotton and linen, began to be manufactured. The industry benefited considerably from the Calico Act in 1721. Though passed primarily in the interest of the woollen industry, it gave equal protection to fustians. The manufacture of pure cottons did not develop till later, when the progress of mechanical invention had placed Lancashire in a position to withstand the formidable competition of fine

Indian calicoes. From the earliest period, the cotton industry was organized mainly on a capitalist basis. A swarm of middlemen were required to bring the raw material to the producer and the finished product to the consumer. 'Fustian-dealers' in Lancashire performed much the same function as clothiers in south-west England. But there was always a certain amount of production carried on by small industrialists who resembled the domestic manufacturers of Yorkshire.[1]

In the metal industries, capital necessarily played an important part, and it was here that we have the earliest examples of the application of joint-stock enterprise to industry as distinct from trade. Two enterprises, the Mines Royal, and the Mineral and Battery Company, were incorporated in the reign of Elizabeth. They were intended to lay the foundations of a brass and copper industry in England and for this purpose they received a monopoly. The two companies were united after the Restoration. At the Revolution, their privileges were withdrawn, as they had long ceased to take any active part in the production of brass or copper. Another interesting development associated with the metal industries was the formation of rings to control prices. In the early eighteenth century, the ironmasters of Furness were able by combination to keep down the price of their fuel, charcoal, and similar methods were successful in pushing up the price of bar-iron during the Seven Years War. In the coal industry, the tendency to price-rigging was even more pronounced. The association of North of England collieries known as the Newcastle Hostmen exhibited all the marks of a highly organized trust. Attempts to control prices began in the early seventeenth century, and continued down to the railway era when improved means of transport deprived the Newcastle collieries of their monopoly of the important London market. This was not the only respect in which the coal and metal industries anticipated modern developments. They practised minute specialization; they showed a tendency towards integration; and though there were examples of small independent producers

[1] For conditions in other textile industries, see Lipson, *op. cit.*, Vol. II, pp. 100–12.

like the groups of free miners who dug for iron-ore and the domestic metal workers who survived in the cutlery trade, yet the general scale on which operations were conducted was large and the power of capital correspondingly great. The employment of wage-earners was quite usual in these industries.

State Control.—Amongst the expedients in favour at this time for the encouragement of industry, the issue of patents of monopoly requires special mention. England seems to have been the first country to use monopoly grants as part of a general scheme of industrial planning. The policy was initiated in the reign of Elizabeth and the first patent was issued in 1561. The avowed objects of the system were the encouragement of new inventions or the establishment of new industries, but it was not long before patents were diverted from their proper purpose. They were used to raise revenue, to pay the salaries of civil servants, or to reward court favourites. Indignation against these abuses rose so high that in 1601 the Commons promoted a bill against monopolies. The Queen tactfully yielded and cancelled the more obnoxious grants. James I on his accession set up a special committee known as the Commissioners of Suits, who were to examine all applications for patents and reject those not satisfactory. The king's inability to refuse the demands of his favourites made this excellent arrangement of no avail. Abuses again crept in, and Parliament, by the Statute of Monopolies of 1624, declared monopoly grants illegal except those in favour of genuine inventions. These were allowed to run for 14 years.[1] A further exception was made in favour of companies or groups of monopolists in order to safeguard the privileges of the great trading companies and the corporations of small masters. Full advantage was taken of this loophole by Charles I. During his reign the monopoly system was converted into a regular source of revenue. Patents were sold to the highest bidder and a royalty was charged on each article sold, which in practice was very like an excise duty. The Long Parliament brought this system to an end. It assumed to itself the power to cancel objectionable monopoly grants, a right which had hitherto been reserved to the

[1] The present duration of a patent is 16 years.

Crown. Thereafter monopolies ceased to be a grievance or to form the subject of political agitation.

The other side to State interference at this time must always be kept in mind. In return for the many privileges extended to it, industry was expected to maintain a high standard of production. The statute book was full of laws prescribing the materials to be used and the processes to be observed in particular trades. The woollen industry naturally received the greatest share of attention. By the close of the eighteenth century, there were over 300 statutes dealing with different aspects of the woollen manufacture. To enforce these regulative codes, the State relied on the officials of the craft gilds and on special ' searchers ' appointed by the town or the rural magistrates. The administration of this branch of the law was not always very effective. The repetition of statutes with practically the same provisions at short intervals implies as much. But this was due to the defectiveness of the administrative machine, not to any relaxation of the rule that producers in return for protection from the State must supply the consumer with a genuine article.

Statute of Apprentices.—The provisions of the great Elizabethan labour code continued to be enforced with fair regularity down to about the middle of the eighteenth century. In one or two directions, however, its application was circumscribed. During the Commonwealth period, soldiers who had served in the Parliamentary armies were allowed to practise any trade without serving a seven years' apprenticeship. This was merely a temporary measure. More permanent were the results of a number of judicial decisions which exempted from the Act industries not in existence at the time it was passed (the cotton industry secured exemption on this ground) and trades which the judges did not regard as skilled. The callings of husbandman, costermonger, tankard-bearer, brick-maker, porter, miller and upholsterer were among those which came under this latter category.[1] These, however, were exceptions. In the great majority of trades, the legal requirement of a seven years' apprenticeship was

[1] See the case (1615) quoted in Bland, Brown and Tawney, *op. cit.*, p. 356.

insisted on, and in the gild officials, there were always agents at hand ready to see that the law was respected.

The provision for periodic wage-assessments was also enforced throughout the greater part of this period. The view once held that after 1640 when the Privy Council ceased to exert pressure on the local magistracy, the justices gave up fixing wages, rests on no foundation of fact. The justices needed no persuasion to carry out this part of their duties. The wage-rates which the law ordered them to establish were maximum rates, intended to protect the employing class to which the justices themselves belonged. Sufficient examples of wage-assessments have survived, covering the period 1563 to 1760, to prove that this was a regular part of the work of Quarter Sessions. It is probable, however, that the minimum wage-rates which were provided for in the textile trades by the Act of 1604 ceased to be fixed after the supervision of the Privy Council came to an end.

How far the workers suffered from the administration of this part of the Statute of Apprentices has been the subject of some debate. Cunningham on the whole takes a favourable view,[1] but the statistical investigations of Hewins and Tawney show that the rise in wages did not generally keep pace with the rise in prices.[2] There is the further complication that the legal rates were maximum rates only and that employers incurred no penalties if they offered or paid less. Hewins suggests that the legal rates were treated as minimum rates, but this seems unlikely and there is evidence against it.[3] On the whole, the influence of the Statute of Apprentices seems to have been unfavourable to the labourer. Yet by a strange paradox this law came to be regarded in the later eighteenth century as a measure passed in the interest of the working-class.

Poor Relief.—During the first half of the seventeenth century, the Poor Law system created by Tudor legislators was

[1] *Growth of Industry and Commerce*, Vol. II, p. 38.

[2] Hewins, *English Trade and Finance*, pp. 82–96; and Tawney, article in *Vierteljahr für Sozial- und Wirtschaftgeschichte*, pp. 558–60. Thorold Rogers in his *Six Centuries of Work and Wages* (pp. 398–9) held that the assessment of wages was the result of a conspiracy to exploit the working-class.

[3] Tawney, *op. cit.*, p. 564.

firmly rooted in English soil. This was due to the vigorous dragooning of the local authorities by the Privy Council. The administration of poor relief was not a matter that could be left to the private initiative of the justices. Poor-rates were felt as a burden by the landowning class, and it is extremely probable that, without the fostering care of the central government, Poor Law institutions would have died out altogether in England. During the period of Charles I's personal rule, the Council showed special activity. A commission of inquiry was appointed in 1630 and a Book of Orders was issued in the following year, laying down the lines on which poor relief should be administered throughout the kingdom. The administrative system was tightened up. The justices were ordered to hold monthly meetings with the overseers and to make regular reports to the Judges of Assize on circuit. The Judges provided a channel of communication between the Council and the local authorities. Through the energy of the central government Poor Law institutions were introduced into many areas of northern and western England where they had been previously unknown. The supervising activity of the Council came to an end in 1640, but by that time it had accomplished its work. The Poor Law system was established firmly enough to stand on its own feet. The justices had become so accustomed to the raising and administering of poor-rates, that they continued to do so, even after the constraining influence of the Privy Council was withdrawn.

Amendments of the Poor Law during this period were not numerous and with a few exceptions of no great importance. An Act of 1609 imposed on every county the duty of erecting a house of correction for idle vagabonds. More far-reaching in its influence was the Settlement Law of 1662, which gave the justices the power to expel a new-comer to a parish within forty days if he seemed likely to come on the poor-rates. This measure was passed in the interest of the wealthier parishes and especially those of London, to prevent them from being flooded with destitute poor from the provinces. The consequences were most unfortunate. By immobilizing labour, the law checked economic expansion, while the labouring man was robbed of any chance of improving his condition

by migrating to those areas where labour was most in demand. This interference with liberty called forth an indignant remonstrance from Adam Smith. 'There is scarce a poor man in England of forty years of age', he wrote, 'who has not in some part of his life felt himself most cruelly oppressed by this ill-contrived law of settlements.'[1] Possibly Adam Smith exaggerated. It is scarcely credible that every member of the labouring class was caught at some time or other in the toils of the Settlement Law. There were means, even legal means, by which the restrictions could be evaded. But the law was harsh and detrimental to social progress. It injured the working classes by keeping down the rate of wages in thickly populated districts, and it hindered the growth of industry by checking the flow of labour from places where it was abundant to places where it was scarce. A small improvement was effected by the Removals Act of 1795 which forbade justices to expel new-comers till they actually became chargeable to the rates.

In 1723, a statute was passed, authorizing parishes or combinations of parishes to erect workhouses. This was the fruit of a movement started in the later seventeenth century to employ the poor on profitable work. The older method by which the parish authorities issued raw materials to the poor to be worked up in their own homes had fallen into disuse since the Civil War. It was sought to replace it by the erection of special buildings in which the poor would work under supervision. In many towns and in some combinations of rural parishes, workhouses of this kind were established, and it was in the hope of making the system universal that the Act of 1723 was passed. It certainly had the effect of increasing the number of workhouses. By the close of the eighteenth century there were nearly 4,000 such institutions in England. Most of them had started by being specialized institutions, intended for particular purposes such as giving work to the unemployed, sheltering the deserving poor or deterring the idle and vicious from applying for poor relief. But in the end most of them came to approximate to what was later called the 'general mixed workhouse'. The unsuitability of this type of institution is now recognized

[1] *Wealth of Nations* (World's Classics), Vol. I, p. 160.

by all Poor Law administrators, but it seldom showed to less advantage than in the late eighteenth century. Crabbe in bitter lines described the last refuge of the poor.

> Theirs is yon House that holds the parish poor,
> Whose walls of mud scarce bear the broken door;
> There where the putrid vapours flagging play,
> And the dull wheel hums doleful through the day;
> There children dwell who know no parent's care;
> Parents who know no children's love dwell there!
> Heart-broken matrons on their joyless bed,
> Forsaken wives and mothers never wed;
> Dejected widows with unheeded tears,
> And crippled age with more than childhood fears;
> The lame, the blind, and, far the happier they!
> The moping idiot and the madman gay.[1]

Experience of places like these could not but create a prejudice against workhouse relief in the minds of humane men, and strengthen the preference for the traditional system by which the poor were given doles in their own homes. During the last quarter of the eighteenth century, there was a decided tendency towards a laxer administration of poor relief, and this, coinciding with an increase in destitution due to the industrial and agrarian changes of the period, was responsible for a Poor Law problem exceeding in gravity anything that England had yet known.

FURTHER READING.—Lipson, *Economic History*, Vol. II, chaps. i and iii, Vol. III, chaps. v and vi; Gonner, *Common Land and Enclosure*, Bk. II, chap. ii; Ernle, *English Farming Past and Present*, chaps. v and vi; Pollock, *The Land Laws*, chap. v; Unwin, *Industrial Organization in the Sixteenth and Seventeenth Centuries*, chaps. v–viii; Lipson, *History of the English Woollen and Worsted Industries*; Heaton, *Yorkshire Woollen and Worsted Industries*; Wadsworth and Mann, *The Cotton Trade and Industrial Lancashire, 1630–1780*; Nef, *Rise of the British Coal Industry*; Price, *English Patents of Monopoly*; Leonard, *English Poor Relief*, chaps. viii–xiv; Webb, *English Local Government* (*English Poor Law History*), Pt. I; Kelsall, *Wage Regulations under the Statute of Artificers.*

[1] *The Village*, Crabbe's Collected Works, p. 117.

CHAPTER XIX

MONEY, BANKING, AND PUBLIC FINANCE

Currency.—In the years immediately succeeding the Restoration, three important steps were taken towards the establishment of an automatically-working metallic currency in England. The embargo on the export of bullion was withdrawn (1663); the Mint charges for the coining of the metals were abolished (1664); and the first issue of mill-edged coins, which could defy the activities of the clipper, was made in 1663. The supersession of the old method of hammering coins was due to a Frenchman, Blondeau, who was made 'Engineer of the Mint' at the beginning of Charles II's reign. By this time, the currency was again in a wretched condition, and Blondeau's discovery naturally suggested the desirability of a complete renovation of the coinage. This necessary step was delayed until 1696. During the next three years, a complete recoinage was carried through, but the government did not handle the situation well. Lowndes, a Treasury official, wisely suggested that the new standard coins should not contain more metal than the light coins actually in circulation. His object was to reduce the cost of recoinage and to avoid any dislocation of prices, following on the issue of the new coins. This proposal to reduce or devaluate the standard was strongly opposed by Locke, who insisted that it would be unfair to creditors. His views prevailed with the government. The old standard was restored; the new coins issued from the Mint had a higher purchasing power than the old clipped coins, and a break in prices inevitably followed, very detrimental to trade. The government committed another blunder. It had undertaken to receive the light coins at their face value up to a certain date, but it so mismanaged matters that only the rich

were able to benefit from this provision. Thus a part of the cost of the recoinage was thrown on the section of the public least able to bear it. The total loss to the State was £2,700,000, which was met by the imposition of a window-tax. But at least another million came out of the pockets of poor people who had been unable to get rid of their clipped coin. The popular discontent at this unfair discrimination found expression in numerous riots and disturbances.

In the eighteenth century, the most important monetary development was the change-over from a double to a single standard. In theory, the currency was still bimetallic. So far as the Mint regulations were concerned, silver and gold were on an equality. Each metal could be coined without limit, and silver money as well as gold was full legal tender. The experience of bimetallic systems, however, shows that in practice they tend to become monometallic. One metal drives the other out of circulation. In the eighteenth century, gold drove out silver. This was an example of Gresham's Law, which had now full scope to operate after the great improvement in the currency brought about by the recoinage. Silver became relatively scarce, probably as the result of a drain of the metal to the East. Its value increased compared with that of gold, and the market price rose above the fixed Mint price. A direct profit could be made by melting down silver coins and selling them as bullion. In 1717, an attempt was made to remedy the situation. On the recommendation of Sir Isaac Newton, then Master of the Mint, the price of gold money in terms of silver was lowered. The guinea, which had been the standard gold coin since 1663, was reduced in value from 21*s.* 6*d.* to 21*s.*[1] This brought only a temporary relief. Silver continued to rise in value and the market price kept steadily above the Mint price. Silver coins went on disappearing from circulation and the public were put to serious inconvenience through the shortage of small change. Government experiments with copper and tin coinages did not prove successful, and it was left to private individuals to make good the deficiency. Shopkeepers and employers of

[1] In 1603, James I substituted the *unite* for the sovereign. The guinea was the standard gold coin from 1663 to 1816, when the sovereign was restored to its old place.

labour issued tokens which, though they had no legal currency, were readily accepted by the public. In the later eighteenth century, the monetary situation underwent a complete change. Gold became relatively more valuable than silver, and silver money began to drive gold out of circulation. The government did not relish this new development. It did not wish to lose its gold currency, which it had come to regard as a sign of national wealth, and accordingly it arrested the tendency by closing the Mint to silver in 1798. Finally, in 1816, it settled the question by deliberately adopting a single gold standard and degrading silver to the level of a subsidiary token currency.

Banking.—Banking, as distinguished from ordinary money-lending, developed in England during the second half of the seventeenth century. Fundamentally, a banker is merely a respectable kind of money-lender, who enjoys two advantages over the shady gentlemen who now practise that profession. First, the money he lends is not his own but other people's. It has been deposited with him in return for the payment of interest. Second, he has, within limits, the power of manufacturing the money which he lends, in the form of notes, cheques and other paper instruments. A third difference is that while the professional money-lender deals with the extravagant and the impoverished, the banker is only concerned to assist genuine producers. His loans are for production, while those of the other are for consumption, a distinction which we have seen to be of importance in discussing the medieval prohibition of usury.

All this is not intended to disparage the services rendered by the banker. His function in the economic system is an indispensable one. He supplies producers with the liquid capital which they need. In one sense, he may be regarded as a trader in money. He hires it from those people who have more of it than they can use and lends it to those who have the power to use it, if only they can get it into their hands. Sometimes he is called a dealer in credit. But credit is ' only the permission to use the capital of another person ',[1] so that this description amounts to the same thing. The banker's main business, then, is to keep capital freely circu-

[1] Mill, *Principles of Political Economy*, p. 511.

lating throughout the economic system, a movement which is as essential to production as the circulation of the blood is to the activity of the body.

The earliest bankers in England were the London goldsmiths. By the reign of Charles II, they were busy receiving deposits and lending them out again, and they had developed credit instruments which resembled the bank-note and the cheque. Their chief customer was the State. They made advances in anticipation of revenue, which were liquidated when the taxes came in. The 'Stop of the Exchequer' in 1672 put an end to this method of financing. Charles repudiated his obligations and diverted the proceeds of the taxes to other purposes.[1] The royal credit suffered severely, and after the Revolution when large sums were required to carry on the war against France, the government was driven to desperate shifts to raise money. One of its expedients led to the foundation of the famous banking institution, the *Bank of England*. In return for a loan of £1,200,000 at what was then considered the moderate interest of 8 per cent., Parliament incorporated the lenders into a privileged banking company. During its early years, the Bank was little more than a borrowing machine for the government, and it met the needs of the State mainly by the issue of paper notes or in other words by deliberate inflation. In return for its many public services, it obtained a privileged position. Acts of 1697, 1708 and 1742 conferred on it a quasi-monopoly, which made it the only joint-stock bank in London. During the first half of the eighteenth century, banking did not extend much beyond the metropolis, and within this area the Bank had no rivals except small proprietary institutions whose competition it did not fear. In the provinces, banks grew up in the later eighteenth century, but they were small and often badly managed. Most of them issued notes (the London banks except the Bank of England had ceased to do so) and the scandals associated with this fiduciary currency compelled Parliament in 1775 to forbid the printing of notes of less than £1, and two years later, to attach such stringent

[1] Eventually, the sum owing to the goldsmiths was added (1701) to the total of the National Debt. For details, see Richards, *Early History of Banking*, p. 230 *seq.*

conditions to the issue of notes below £5 that they practically disappeared from circulation.

The circumstances of its origin conferred on the Bank of England a commanding position in the English banking system which it has retained ever since. It became the 'bankers' bank'. The other banks did not trouble to keep a metallic reserve against their note-issue, if they had any. They relied on obtaining gold at need from the Bank of England. In this way, the single reserve system grew up in this country. The Bank of England became the only holder of a metallic hoard. This position implies grave responsibilities, which the Bank directors were slow to acknowledge. They maintained that the Bank had no duty to the public. It was responsible only to its shareholders and was in no circumstances called on to act differently from a private bank. The eighteenth century witnessed the first examples of these monetary crises, accompanied by a 'run on the Bank', which were later to shake the financial system to its foundations. Despite their unintelligent and irresponsible attitude, the Bank directors succeeded in weathering the minor cyclones of 1763, 1772, 1783 and 1793, but in 1797, a crisis burst which taxed their resources to the utmost and introduced important changes in banking practice and currency management.

Public Finance.—The two chief innovations in regard to taxation in the seventeenth century were the imposition of an excise and the establishment of the Land Tax. An excise duty is levied on goods produced within the kingdom, in contrast with customs duties which are payable by goods entering the country from abroad.[1] This financial expedient was first adopted by the Long Parliament in 1643, but it was continued after the Restoration and used to settle a controversy that had long given trouble. The landed gentry objected to the feudal incidents as an obsolete and vexatious system of taxation, but no scheme for their commutation had so far succeeded. Now, in return for an hereditary excise on beer, ale and other liquors, the king abandoned his feudal claims (1660). This system of inland taxation was extended

[1] During the eighteenth century, most customs duties became *import* duties.

to include other commodities besides liquors. It was always unpopular and the general prejudice against it compelled Walpole to abandon his so-called Excise Scheme in 1733. In reality, the scheme had nothing to do with the excise. It was a plan for warehousing wine and tobacco at the ports where they entered the kingdom, the customs duty being paid not on entry but when the goods were taken out for sale or consumption. A similar scheme for tea and coffee had worked satisfactorily since 1711. But the use of the unlucky term 'excise' roused such a storm of opposition that the proposal had to be withdrawn.

The Land Tax, also, had some connexion with Commonwealth finance. It developed out of the *monthly assessments*, by which the Long Parliament raised funds for the war against the king. A total sum was fixed to be paid by the kingdom as a whole, and this was divided up among the various hundreds and districts in proportion to their contributions to the old subsidy. Taxpayers were assessed on their landed and movable property. Monthly assessments continued to be levied regularly down to the Restoration, and at intervals after that, but the assessment became stereotyped and obsolete, and the yield dwindled. In 1692, Parliament adopted the plan of a general property tax of 4*s.* in the pound, to be levied on the true value of land and movables. But the yield was so unsatisfactory that a return had to be made to the old system by which a specified sum was demanded from each district. In 1698, the quotas were fixed at the amounts which had been paid in 1692, and these were to be raised by a tax of 3*s.* in the pound on personal property, the residue to be met by a pound rate on the value of land. Personal property, however, was able to evade the charge, so that land had to bear the whole burden. In this form, the tax was imposed regularly during the eighteenth century at rates varying from 1*s.* to 4*s.*, until in 1798, Pitt made it a perpetual charge at the latter rate and arranged for its redemption. A large proportion of it has since been redeemed, but about half a million pounds still come into the Exchequer from this source.

By the eighteenth century, the idea that taxes were emergency financial expedients had long become obsolete. It was

now realized that the bulk of the revenue must be contributed by the nation, directly or indirectly. The preference was for indirect taxation, and for the taxation of luxuries as opposed to necessaries. Indirect taxes did not involve the assessment of means and income, which was then regarded as an unjustifiable interference with the liberty of the subject, and they had the further advantage that they might be regarded as optional since no one was compelled to consume the commodities taxed. Luxury taxes, of course, spared the pockets of the poor. But while this was the general theory, there were important exceptions to it in practice. Direct taxes were levied on land and houses,[1] and many necessaries contributed largely to the Exchequer, such as beer, salt, candles, leather, coal and soap.

With the creation of the *National Debt* in 1694, the problem of public borrowing was very much simplified. From the earliest times, governments had raised loans, but they had seldom been able to obtain advances for more than short periods. When these ran out, the loans had either to be renewed or replaced by fresh borrowings. The difficulties of finance ministers were considerably lightened when a new kind of loan was invented for which no date of repayment was assigned. If a public creditor wished his money back, he could not demand it from the government, though he might sell his title to the loan to a third party. Debt of this kind is said to be ' funded ' in contrast to ' unfunded ' or ' floating ' debt. The earliest funded debt in this country was the £1,200,000 lent to the State by the Bank of England in 1694. This is generally regarded as the origin of the National Debt. At first, the funded debt was insignificant in comparison with the floating, but by 1714 only £8,000,000 out of a total of £36,000,000 was unfunded. Up to this time, the government borrowed chiefly from large corporations like the Bank of England, the East India Company and the South Sea Company, but it soon adopted the practice of appealing direct to the public. The wars of the eighteenth century sent up the amount of the Debt rapidly. It rose from £76,000,000 in 1757 to £227,000,000 in 1784. This

[1] An inhabited house duty was imposed in 1778. Taxes had been levied on windows since 1696.

startling increase aroused fears for the national credit, and steps were taken to reduce the debt charge and provide for the redemption of the principal. Conversions in 1717, 1727 and 1749 brought down the interest to a uniform level of 3 per cent., and a sinking fund was established, first by Walpole in 1715, which ceased to operate after 1733, being regularly diverted to other purposes, and then by Pitt. Pitt's fund, set up in 1786, functioned uninterruptedly down to the outbreak of war with France in 1793. A sum of £1,000,000 was set aside annually for the purchase of government stock, and was held by commissioners who applied the interest saved to the further redemption of debt. In this way, the public indebtedness was reduced by £10,000,000 between 1786 and 1793.

FURTHER READING.—Feavearyear, *The Pound Sterling*, chaps. iv–vii; Andreades, *History of the Bank of England*; Richards, *Early History of Banking in England*; Dowell, *History of Taxation and Taxes in England*, Vol. II, chaps. i–viii; Kennedy, *English Taxation, 1640–1799*; Hargreaves, *The National Debt*, chaps. i–vi.

CHAPTER XX

SCOTLAND AND THE TWO UNIONS

The Union of 1603.—The first of the two unions between Scotland and England was a purely personal one. In 1603, the Scottish king ascended the English throne, so that the two countries had now one monarch. But in all other respects they were separate, independent kingdoms, with their own laws, institutions and methods of administration. Connexions based on so slender a tie have rarely proved permanent, unless as in the case of Scotland and England they are merely the preliminary to a complete, incorporating union.

The effect of the Union of the Crowns on Scottish economic life was partly beneficial, partly detrimental. Southern Scotland was relieved from the constant threat of foreign invasion and was at liberty to develop its resources in peace and quiet. The ability of the monarchy to maintain internal order was greatly increased. With all the wealth and manpower of England behind him, the Scottish king no longer stood in dread of his turbulent nobles, and the unwarlike James VI could boast that he governed Scotland with his pen, which his ancestors could not do with the sword. The anarchical elements in Scottish society were subdued ; the Borders were pacified ; and the king's writ ran freely, south of the Highland line. Throughout the Lowland country, the chief political obstacles to economic progress were removed.

These are the items on the credit side of the Union. But it had grave drawbacks. Two of Scotland's chief foreign markets, France and Holland, were countries which England regarded as trade rivals and with which she was frequently at war. Scotland had no interest in these quarrels, but she could not avoid being dragged into them, since her king was also king of England and war was always declared in the

name of the king. Her foreign trade suffered, and when in the later seventeenth century the Scots lost the trade privileges which they enjoyed in France, they naturally blamed the English connexion.[1] Commercial intercourse with Holland also fell off, and the staple at Vere ceased to be of much importance, though it was not actually abolished till 1799. All the seaport towns on the east coast suffered from this curtailment of Scotland's foreign trade, and the prosperity of the Fife burghs noticeably decayed.

In compensation for these losses, the English connexion had little to offer. After the Restoration, the English Parliament, dominated by mercantilist ideas, closed the Plantations to Scots traders and imposed a prohibitive tariff on Scottish goods entering England. Thus from every point of view the Regal Union was detrimental to Scotland's foreign trade. It deprived her of her foreign customers and denied her access to the English market and to the English colonies. Scotland was thrown back upon herself.

Industrial Revival.—One consequence of this position of isolation was a tendency towards industrial expansion which became very noticeable after the Restoration. Cut off from her neighbours and from her old trading connexions, Scotland had no choice but to produce herself the manufactured goods which she had formerly imported. This movement towards economic self-sufficiency was wholeheartedly supported by the Scottish Parliament and the Privy Council, both imbued with the prevailing mercantilist philosophy. Prohibitive duties were imposed on foreign manufactures and by two statutes of 1661 and 1681 special privileges were conferred on manufacturers who introduced new industries or extended those already in existence. In addition to the grant of monopolies for long or short periods, pioneering industrialists were guaranteed adequate supplies of raw material (if produced at home, its export was forbidden); they were allowed to import alien workmen; they were relieved from taxation, and their workpeople were exempted from military service. A large number of privileged enterprises or 'manufactories' were set up in different parts of Scotland, and notable progress was made

[1] The privileges would probably have been withdrawn in any case as inconsistent with Colbert's national economic policy.

in the manufacture of woollen and linen cloth, sugar, soap, silk, paper, glass, starch, rope and gunpowder. Most of these enterprises were financed by joint-stock companies. The amount of capital invested in them has been estimated at nearly £200,000.[1]

But this industrial progress created other problems, especially a problem of markets. Where was Scotland to find an outlet for her manufactures? England and the English colonies were closed to her and she had lost her foreign customers. The only solution seemed to be the opening up of a long-distance trade with Asia and Africa or the foundation of Scottish colonies abroad. Early attempts at Scottish colonization had not achieved much success.[2] But after the Revolution of 1688, when the Scottish Parliament had shaken off the control of the Crown, the nation addressed itself seriously to this problem. The result was the Darien Scheme.

The Darien Scheme.—In 1695, the Scottish Parliament chartered 'the Company of Scotland trading to Africa and the Indies'. It was given extensive powers and privileges, including a monopoly of trade with Asia, Africa and America, and the right to plant colonies on territory unoccupied by any Christian power. Despite this last provision, the primary object of the Company in the minds of its promoters was trade. It was intended to be a Scottish East India Company, which explains the support it received in England from those who wished to undermine the English East India Company's monopoly of trade with the East. But the unfortunate influence of a man of genius, William Paterson, gave the whole scheme a different direction. Paterson at this time was a director of the Bank of England, of which he may be regarded as the founder. In early life, he had traded in the West Indies and had become impressed with the commercial possibilities of the Isthmus of Panama or Darien, 'the door of the seas', as he called it, 'and the key of the universe'. A settlement on the isthmus would enjoy great advantages, supposing the trade between Europe and Asia were diverted to this route, which was considerably shorter than the usual

[1] W. R. Scott, *Records of a Scottish Cloth Manufactory at Newmills*, pp. 34–46.

[2] See Insh, *Scottish Colonial Schemes, 1620–86.*

way to the East round the Cape of Good Hope. The conception was brilliant, but Paterson underestimated the practical difficulties involved. Most important of all, he omitted to reflect that the mere planting of a settlement in Darien would not cause international trade to desert its old routes and flow by this new channel. Even to-day, when a canal has been cut across the isthmus, only a fraction of the trade between Europe and Asia follows this route.

Nevertheless, Paterson's persuasiveness and sanguine disposition convinced his countrymen of the practicability of his scheme, and it was resolved to devote the resources of the Company to the establishment of a colony in Darien. It was hoped to raise part of the necessary capital in England, but the English East India Company, though it could do nothing to prevent an independent Scottish Parliament from chartering a company to trade with the East, could at least protect itself against any infringement of its monopoly by Englishmen. The leading English supporters of the Company of Scotland were threatened with impeachment and immediately withdrew their subscriptions. Efforts to raise capital in Amsterdam and Hamburg met with no better success, being frustrated in the one case by the hostility of the Dutch East India Company, in the other by the opposition of the English envoy. It was plain that the Scots would have to finance their venture themselves. National enthusiasm for the project, however, ran high, and it became a point of honour to subscribe to the Darien Scheme. 'The frenzy of the Scots nation to sign the Solemn League and Covenant', wrote a contemporary, 'never exceeded the rapidity with which they ran to subscribe to the Darien Company.' An issue of shares of £400,000 was eagerly taken up, but the actual paid-up capital did not exceed £154,000, which was manifestly insufficient for the work in hand. Nevertheless, the Company persevered, and between 1698 and 1700 three expeditions were sent out to Darien. They were badly organized and badly equipped. The periwigs, bluebonnets, Bibles and plaiding with which the ships were laden, were likely to find little sale amongst the natives of Central America. Famine and disease decimated the settlers, and to complicate matters, Spain laid claim to Darien as within

the Spanish sphere of influence. Most unluckily, the English king, William III, had at this time pressing reasons for keeping friendly with Spain, and to this diplomatic interest he sacrificed the Scots and their enterprise. Not only did he issue instructions to the colonial governors of the West Indies and America to give no help to the Scots settlers, but by his attitude he encouraged the Spaniards to attack the colony. One assault was beaten off, but in March 1700, Spanish warships blockaded the harbour, and the settlement had to be evacuated. The Darien Scheme cost Scotland 2,000 lives and swallowed up nearly £200,000 of capital which a poor country could ill afford.

In their exasperation, the Scots laid the whole blame for the disaster on England. This is hardly just, for the scheme had little chance of succeeding even under the most favourable circumstances. But the Scots had a legitimate grievance. The conduct of William III was clearly indefensible. Though king of Scotland,[1] he had done his best to ruin an enterprise supported by the vast majority of his Scottish subjects, because it ran counter to an English diplomatic interest. The experiment of sharing a ruler with England was plainly a failure. It was clear that whenever a clash occurred, Scottish interests would be sacrificed to those of the predominant partner. The movement for complete separation gathered strength and a period of extreme tension ensued between the two countries. Moderate counsels in the end prevailed, however, and a total rupture was averted. The Union of 1707 gave England and Scotland a common Parliament as well as a common ruler and fused the two nations into a single political unit.

The Union of 1707.—The financial and economic provisions of the Treaty of Union can be briefly summarized. The tariff barriers between the two countries were swept away and the United Kingdom became a single customs union. Trade with the English colonies was thrown open to Scottish subjects. A uniform coinage [2] and an equal system of taxation were prescribed for the two countries. A little adjustment was required to secure equality of burdens. The Scots

[1] He was William II of Scotland.

[2] After 1709, the Scottish Mint ceased to function.

had a land tax, but its yield (£36,000) compared unfavourably with the £2,000,000 produced by the corresponding English tax. Accordingly the total amount payable by Scotland was raised to £48,000, not an excessive amount considering the comparative wealth of the two countries. Scotland had to accept responsibility for the English National Debt (£17,000,000), but in compensation she was paid a lump sum of about £400,000, called the Equivalent. It was to be used to pay off the Scottish national debt (£160,000) and to restore to the Darien shareholders the capital they had lost with interest at 5 per cent. Thereafter, the Company of Scotland was to be dissolved to avoid any interference with the monopolies of the English trading companies. Any surplus from the Equivalent was to be used to encourage Scottish industry and fisheries. As it happened, there was a considerable surplus, which was effectively administered after 1727 by a body known as the Board of Trustees for Manufactures.

The economic consequences of the Union are a little difficult to assess, but, at any rate, the traditional view which regards it as an unmitigated blessing to Scotland must be considerably qualified. In many respects, the immediate effects were unfavourable. The nation had to submit to a heavier load of taxation, and its economic activities were curtailed in important directions. The establishment of free trade with England was the death-blow to the Scottish industries which had been painfully built up in the period after the Restoration. None of them except the linen industry could stand up to English competition. The effect on external trade was little better. To trade with most parts of the globe, Scotsmen had now to belong to one or other of the English trading companies, to which admission was not always easy. From her old Continental markets, Scotland was cut off more than ever. The trade with France came under the English embargo and practically ceased. The Scot had to give up his claret, except what he could obtain through the friendly offices of the smuggler.[1] The export of wool, an important Scottish commodity, was forbidden in the

[1] 'Let him drink port', an English statesman cried,
He drank the poison, and his spirit died.

interests of English cloth manufacturers. The concession of free trade with the English colonies was of little use to a country which had no longer any manufactures to export. It is true that a flourishing tobacco trade sprang up between Glasgow and Virginia, but it is doubtful if this commerce, though it enriched individuals, added much to the prosperity of the nation as a whole. All things considered, there is little to weaken the conclusion that the Union was as fatal to Scottish trade as to Scottish industry.

One bright spot, however, must be noted in this gloomy picture. The Union brought prosperity to agriculture. The English manufactures, with which Scottish markets were now flooded, had to be paid for somehow, and they were paid for by the export of agricultural produce, especially cattle. At a time, when the only manure available was the dung of animals, the prosperity of the cattle trade reacted favourably on cereal-growing. As Adam Smith observed, 'the increase of stock and the improvement of land are two events which must go hand in hand'.[1] In this way, the rise in the price of cattle was perhaps the greatest advantage which Scotland derived from the Union. It provided the foundation for the solid agricultural progress which was achieved in the eighteenth century. The runrig system died out. By the end of the eighteenth century, it was scarcely known, except in the north-east. An Act of 1695 enabled proprietors to redivide and consolidate their runrig holdings by agreement before the Sheriff.[2] Where, as was commonly the case, the holders in runrig were merely tenants, consolidation could be carried out by the mere fiat of the landlord. The leading members of the Scottish aristocracy took a keen interest in farming, as did also many judges like Lord Kames and the clergy on their glebes. Two agricultural improvement societies were formed, the Society of Improvers (1723) and the Highland and Agricultural Society (1784). Amongst

[1] 'The quantity of well-cultivated land must be in proportion to the quantity of manure which the farm itself produces, and this again must be in proportion to the stock of cattle which are maintained upon it.' *Wealth of Nations*, Vol. I, p. 252.

[2] For an example of such an agreement, see *Scottish Historical Review*, Vol. XIII, p. 101.

inventions due to Scottish agriculturists were Small's swing-plough (1763) and Meikle's threshing machine (1786). The development of her agriculture was the compensation which Scotland obtained for the destruction of her trade and industry by the Union. It was in many ways a sufficient compensation. When the Industrial Revolution provided opportunities for further economic advance, Scotland was ready to profit by them. Her prosperous agriculture furnished a solid base on which she could rear a stronger and more enduring fabric of industry.

Scottish Banking.—The one other direction in which Scotland made progress during the eighteenth century was in the building up of her banking system. The Bank of Scotland was founded in 1695, to be followed in 1727 by the Royal Bank, and in 1746 by the British Linen Bank, originally a company for the sale and manufacture of linen cloth. Besides these chartered banks, a swarm of small local banks came into existence. Scotland never developed a central banking institution, partly because of the Union, partly because the directors of the Bank of Scotland were suspected of Jacobitism. But in other respects, Scottish bankers showed themselves notable pioneers. They proved the practicability of a paper currency, even when the notes were of small denominations. The issue of notes of less than £1 was forbidden in 1765, but an attempt to abolish the Scottish one-pound note in 1826 was signally defeated, in part through the vigorous pamphleteering of Sir Walter Scott under the pseudonym of Malachi Malagrowther. The Scottish people conceived a great respect for their paper money and came to prefer it to gold. The notes economized specie and provided the country with a reliable currency, which was of the utmost service in forwarding the nation's economic development.

The other respect in which Scottish bankers showed themselves pioneers was in the ease with which they granted advances. Under what was known as the cash credit system, loans were made on personal security with the addition of two names as guarantors. In a poor country, this was of inestimable benefit. Many impecunious but enterprising Scots were able in this way to obtain the funds with which to embark on a commercial or industrial career. There can be

no question of the importance of the banks in stimulating economic progress in Scotland during the later years of the eighteenth century.

FURTHER READING.—Grant, *Economic History of Scotland*; Keith, *Commercial Relations of England and Scotland, 1603–1707*; Birnie, *Short History of the Scottish Teinds*; Insh, *The Company of Scotland*; Scott, *History of Joint Stock Companies*, Vol. II, pp. 207–27, Vol. III, pp. 123–95; Hamilton, *Industrial Revolution in Scotland*; Kerr, *History of Banking in Scotland*; Rait, *History of the Union Bank of Scotland.*

CHAPTER XXI

IRELAND IN THE SEVENTEENTH AND EIGHTEENTH CENTURIES

Confiscations and Evictions.—The period of comparative quiet which followed the Elizabethan conquest of Ireland permitted the English government to complete its task of rooting out the old Celtic social system. In 1605, two judicial decisions declared illegal the ancient customs of tanistry and gavelkind.[1] In their place were introduced the English tenures of freehold and leasehold and the feudal law of primogeniture. The Celtic chiefs were compelled to surrender their lands to the Crown, receiving them back in freehold. This was the procedure known as 'surrender and re-grant'. Little consideration was shown for the rights of the lesser tribesmen. The tribal land was either granted in full ownership to the chief or else divided between him and the principal clansmen. The lesser members of the tribe sank into the position of tenants. Their vague claims to a share in the ownership of the tribal land were overridden, and they were saddled with money rents payable to the chiefs in lieu of the food contributions and services formerly owed by them. Nevertheless, the change was on the whole a salutary one. The English system of landholding was immeasurably superior from the economic point of view to the Celtic, and the survival of old Irish customs in defiance of the written law prevented any undue disturbance of social relationships. Thus, in the seventeenth century, though few Irish tenants had written leases or agreements, yet they enjoyed security of tenure in virtue of an old principle of the Brehon law that

[1] Tanistry was the custom by which the chief was chosen by popular election from the members of a particular family. Gavelkind was the system of holding land in family groups.

occupation of land for a certain time gave the settler the right to remain as long as he pleased. This custom of tenant-right was universal in seventeenth-century Ireland, and it survived in the province of Ulster down to modern times. Its decay in the southern districts was one of the factors responsible for the grave land problem of the eighteenth and nineteenth centuries.

If the English government had limited its efforts to introducing English land law into Ireland, no great harm would have been done. But it made the fatal mistake of reviving the plantation policy of Mary and Elizabeth. Such a policy could only be justified in the event of complete success. The total expulsion of the Celtic population and the colonization of the island by English and Scots settlers, would undoubtedly have given Ireland peace. But a drastic policy of this kind was impossible of execution, and the only result of the actual measures taken was to plant two hostile races side by side in Ireland, divided by blood, religion and the memory of mutual wrongs. Such partial success was a hundred times worse than complete failure. It destroyed the racial unity of the Irish people and postponed for centuries the possibility of a peaceful solution of the Irish question.

The first of the seventeenth-century plantations was, in every respect, the most successful. In 1607, two prominent Celtic chiefs, who had been created Earls of Tyrone and Tyrconnel, fled the country, fearing a charge of treason. Their lands were declared forfeit, and the government seized the opportunity to carry through a plantation scheme of considerable magnitude. The estates of the banished earls comprised the greater part of the counties of Armagh, Derry, Donegal and Tyrone, to which were added Cavan and Fermanagh, whose chiefs had died in a recent rebellion. Within this area, land was offered for sale in lots of 2,000, 1,500 and 1,000 acres. The largest lots were reserved exclusively for purchasers of English and Scots nationality and could only be settled by English and Scots tenants. The 1,500-acre lots might be purchased by Irishmen, but they and their tenants must be Protestants. Only in the case of the smallest lots were there no restrictions as to the race or religion of the purchasers or tenants. The object of the plantation was

quite clear. It was to create an English and Protestant garrison in the north of Ireland, and in large measure, this purpose was achieved. As regards landownership, there was an almost complete displacement of the native population. Nearly 90 per cent. of the confiscated territory passed into the hands of English and Scots proprietors. But the problem of finding tenants of British nationality for the transferred lands was less easy of solution, and in the end the government had to relax the rigour of its prescriptions. A quarter of the land was allowed to be held by Irishmen on certain conditions. In this way, a fairly large number of the Catholic peasantry were able to remain on their holdings. Nevertheless, though the clearance of the native population was far from complete, the plantation gave a special racial and religious character to north-east Ulster which it has retained to this day. A solid English and Protestant colony was created in the north, which later added considerably to the difficulty of finding a satisfactory solution for Ireland's political problem.

The next application of the confiscation policy on a large scale took place after the great Irish rising of 1641–9. The government resolved that the lands of the rebels should defray the expenses of the war. The estates of those who had served in the rebel army with the rank of colonel or over were forfeited. Lesser offenders suffered the loss of a part of their lands, a third or two-thirds in the case of Catholics according to the degree in which they had participated in the rising, one-fifth in the case of Protestants. The chief sufferers were Catholics, who, unlike the Protestant rebels, were not allowed to retain the unforfeited part of their estates, but had to exchange them for lands in Connaught and Clare. The object was to segregate the disloyal Irish in the west and to hem them in behind a line of fortified posts along the Shannon. This scheme could not be carried out in its entirety. Only landowners and substantial tenants were actually deported. The lesser tenantry were left in occupation of their holdings under the new race of landlords. These were either English capitalists who had advanced money to the government for the war, or ex-soldiers of the Parliamentary armies, who received in this way their arrears

of pay. At the Restoration, the Cromwellian land settlement, as it is somewhat inaccurately called, was in danger of being overthrown. The dispossessed landowners had suffered, nominally at least, for the royalist cause, and demanded back their estates from the restored monarch. But the influence of the new proprietors was sufficiently strong to prevent this act of justice. No more than a third of the confiscated lands were restored to their former owners.

A further series of confiscations and evictions followed the next great rising of the proscribed race against William of Orange in 1688. A million and a half acres were forfeited, and again the chief victims were the Catholic gentry. By the close of the seventeenth century, a Catholic landowner had become something of a rarity in Ireland. Of the 20 million acres of Irish soil, less than a million remained in the hands of the ancient Celtic proprietors, and this amount was constantly tending to diminish through the action of the Penal Laws, which, among other things, forbade Catholics to acquire land by purchase, and enforced the equal division of a Catholic landowner's estate amongst his male heirs. The landlord class became predominantly English and Protestant. The tenantry, on the other hand, remained overwhelmingly Irish and Catholic. Between the owners and the tillers of the soil, there existed a deep social cleavage, due to differences of blood and religion.[1] The worst possible consequences ensued The Irish landlord took no personal interest in the development of his estate or in the welfare of his tenants. Often he lived abroad and left his lands to be managed by agents or middlemen who shamelessly exploited the peasantry. All eighteenth-century observers emphasize the terrible degradation of the Irish tenant. He dwelt in a miserable mud cabin, went bare-footed and in rags, and sub-

[1] As Adam Smith pointed out, the Irish aristocracy was founded, not ' in the respectable distinctions of birth and fortune, but in the most odious of all distinctions, those of religious and political prejudices ; distinctions which more than any other animate both the insolence of the oppressors and the hatred and indignation of the oppressed, and which commonly render the inhabitants of the same country more hostile to one another than those of different countries ever are'. *Wealth of Nations*, Vol. II, p. 623.

sisted on a meagre diet of potatoes and milk. Even more pitiful was the lot of the cottier, who had only a small potato-patch with grazing for one or two cows, for which he paid an exorbitant labour rent. The extreme wretchedness of the Irish rural class produced its natural result. Discontent blazed out in jacqueries and agrarian riots. Against the social injustice which condemned him to a life of grinding poverty, the starving peasant protested by murder and outrage. These were the only weapons with which he could fight the legalized tyranny of the landlord. The Whiteboys and the Steelboys of the later eighteenth century were the first of a long line of peasant secret societies which more than once during the next hundred years brought Irish society to the verge of dissolution.

Irish Agriculture.—Climate and physical characteristics have marked out Ireland by nature as a pastoral country, and this tendency has been reinforced by the political insecurity which prevailed at so many periods of her history. In the seventeenth century, for instance, the title to an Irish estate was so uncertain and so liable to be upset by some change in the political situation that few proprietors ventured to sink much capital in their land. Hence the preference for cattle-raising which involved less permanent outlay than arable farming. In 1672, Petty estimated that only half a million acres of Irish land were under the plough in contrast to seven millions devoted to pasture. Yet so small was the amount of bread consumed by the peasant population that Ireland still had a surplus of corn for export. In the eighteenth century, the flight from tillage became even more pronounced. The competition of English bounty-fed corn made itself felt with increasing severity and the action of the Irish House of Commons in exempting pasture land from tithe (1735) was a direct encouragement to cattle-ranching. By the middle of the eighteenth century, Ireland had ceased to be a corn-exporting country.

About 1780, however, a number of circumstances combined to restore arable farming to favour. In 1784, the Irish Parliament, which two years before had won its independence, passed a law for the encouragement of agriculture known as Foster's Corn Law. Heavy import duties were imposed on

foreign cereals and a bounty was granted on the export of Irish grain. About this time also, the pressure of English competition began to slacken. England now required all her corn to feed her growing industrial population. Finally, the outbreak of the French War in 1793 gave Ireland for more than twenty years a natural protection against foreign imports. Under the influence of these factors, the balance began to turn in favour of tillage. Corn exports recommenced and between 1776 and 1800 quintupled in amount.[1] Unfortunately, this extension of tillage was not accompanied by much improvement in the methods of arable farming. Barbarous practices such as attaching the plough to the tails of the horses, or threshing the corn by burning it in the straw, continued to be followed in many districts. Arthur Young, who travelled in Ireland during the years 1773–6, pronounced Irish agriculture to be five centuries behind that of England. One serious obstacle to improved farming was the extreme smallness of the holdings. Partly this was due to the poverty of the peasants and the evil custom by which an Irish landlord left his tenant to supply the fixed capital required on the farm in the shape of buildings and improvements. In these circumstances, few Irish cultivators could afford to farm more than a small bit of land. Another factor which worked in the same direction was the rapid growth of population in the later eighteenth century, which encouraged the excessive subdivision of holdings. There was an element of danger in this situation. Should the pendulum swing back in the direction of pasture farming, Ireland would find herself with a population too large for her type of agriculture to support. The sequence of events showed later how real this danger was.

Irish Industry.—At no period of her history has Ireland been what might be termed an industrial country, but in the seventeenth and eighteenth centuries her agrarian character was specially pronounced. Agriculture claimed all but an insignificant proportion of the energies of her people. Her leading industries at this time were wool and linen, both of which suffered from the political connexion with England.

[1] See table in O'Brien's *Economic History of Ireland in the Eighteenth Century*, p. 124.

In the view of English statesmen, Ireland was to be treated as a colony whose economic development was to be controlled in the interest of the nation that had conquered her. Competition with any important English interest was not to be tolerated. This sealed the fate of the Irish woollen industry. The representations of English cloth weavers secured the notorious law of 1699, which forbade the export of Irish cloth to foreign countries. Confined to the home market, Irish weavers had to concentrate on the rough friezes which were all that the domestic consumer could afford to buy. The future development of the industry was stifled and thousands of Irish weavers had to emigrate abroad, carrying their skill and knowledge to England's rivals. The treatment of the linen industry was a little less harsh. It had the good fortune to threaten no important English interest, and therefore it seemed an appropriate channel into which to direct the industrial activity of Ireland. Indeed there was a kind of understanding that as an offset to the discouragement of the woollen industry, the linen industry should receive every assistance. This was the view of Strafford, who, as Lord Deputy, had done much to stimulate the manufacture, and a similar opinion was publicly stated in Parliament by William III. William sent over a band of Huguenot refugees under Louis Crommelin, who taught the Irish how to spin the finer kinds of linen yarn. Crommelin set up his weaving establishment at Lisburn in the north and may be said to have laid the foundations of the prosperous Ulster linen industry. After the Scottish Union, however, the pact or understanding already referred to, became difficult to observe. Scotland had an important linen industry and the Scots weavers clamoured for protection. The British Parliament could not resist the pressure. Bounties were granted to British linens in which Irish linens did not share, and import duties were imposed on certain kinds of linen cloth produced in Ireland. It was a clear breach of the pact. Nevertheless, despite this unfair treatment, the linen industry continued to progress. During the eighteenth century, it was easily the first among Irish industries.

The one branch of Ireland's industrial activity which secured the unqualified approval of English statesmen was

the production of bar-iron. There was a special reason for this. The English iron industry was suffering from a shortage of fuel and could no longer meet the demands of the home market. Accordingly, in 1695, the duties on Irish bar-iron were removed, but the heavy duties on finished iron goods were retained. It was not intended that Ireland should engage in more than the lower branches of iron manufacture. For about fifty years, iron-smelting enjoyed the benefit of this stimulus, but by the middle of the eighteenth century the activities of the charcoal-burners had almost totally destroyed the dense woods with which Ireland was once covered, and the output of bar-iron fell away to nothing. The iron industry never recovered from this setback. Ever since, Ireland has remained dependent on foreign sources for her supplies of iron and steel.

Commerce.—In her trade as in her industry, Ireland was heavily handicapped by her political subordination to England. Again and again, her efforts to extend her commercial relationships were frustrated by the narrow jealousy of the English Parliament. As an agricultural country, her exports consisted mainly of different kinds of rural produce. In the early seventeenth century, she had developed a flourishing cattle trade, for which the chief market was England. Lean cattle were sent across the Irish Channel to be fattened on English pastures. Shortly after the Restoration, the jealousy of the English graziers brought this advantageous commerce to an end. The English Cattle Acts of 1663 and 1666 absolutely forbade the import into England of Irish cattle, sheep, pigs, beef, pork and bacon. Nevertheless, the Irish succeeded in parrying this blow. They turned from the live cattle to the dead meat trade, and instead of exporting their animals 'on the hoof', sent them out in the form of beef, hides, tallow and butter. This provision trade found lucrative markets in Europe and the English plantations. But once more English jealousy placed obstacles in the way of Ireland's commercial development. In the early Navigation Acts, Ireland had been treated as a part of England and Irish merchants were allowed to trade freely with the English colonies. By two Acts of 1670 and 1671, this privilege was withdrawn. The import into Ireland of a long list of colonial

commodities was forbidden except through English ports. The result was to close the colonial market to Irish merchants as effectively as if an embargo had been placed on their trade. Ships carrying Irish provisions to the plantations could obtain no return cargoes unless they were prepared to carry them first to England. The trade became one-sided and rapidly dwindled away. Ireland sent her provisions to France, Spain, Holland and their plantations, from which she could get commodities in return. Thus the paradoxical situation emerged that Ireland, though politically connected with England, was practically cut off from trade with that country and her colonies, and was forced to establish commercial relations with the nations which were England's chief competitors.

The Union.—During the last twenty years of the eighteenth century, Ireland enjoyed a brief spell of legislative independence. The movement which ended the English ascendancy was initiated and carried through by the Protestants of the north, who had suffered almost as much as the Irish Catholics from the selfish and unenlightened policy of the British government. During the American War, Ireland was almost denuded of regular troops, and the Protestant Volunteers who had undertaken to garrison the island were able to dictate their own terms. In 1782, the Declaratory Act of George I which authorized the British Parliament to legislate for Ireland was repealed, and the sovereignty of the Irish Parliament was recognized. Ireland was placed in the same position as Scotland after the Revolution of 1688. She had the same king as England, but the two countries were governed by separate legislatures, which might on occasion pursue antagonistic policies. For such an anomalous situation, the only remedies were complete union or complete separation.

Ireland's short period of independence was one of unwonted prosperity. The chief restraints on her economic activity were removed. In 1779, the Volunteers had extorted valuable concessions from the British Parliament. The embargo on the export of woollen goods was repealed; the colonial trade was thrown open; and Irishmen received permission to join the Levant Company and trade with the eastern

Mediterranean.[1] Liberated from its shackles, Irish industry made rapid progress, aided by the bounties and subsidies with which the emancipated Parliament sought to stimulate industrial development. Foreign trade expanded and agriculture profited, as we have seen, by Foster's Corn Law. The material progress realized was substantial and would probably have been greater but for the outbreak of a European War in 1793 and the internal troubles which distracted Ireland during this period. Yet there were weak points in the country's economic position. England maintained her prohibitive tariff against Irish goods, though the duties levied on English imports into Ireland were by comparison extremely moderate. The Irish Parliament, despite the protests of the manufacturing interests, did not dare to retaliate. To place the fiscal relations of the two countries on a more satisfactory footing was the object of Pitt's Commercial Propositions of 1785. He hoped by the establishment of commercial reciprocity to promote a union of hearts between the two peoples. All prohibitions and bounties were to be abolished, and customs duties in the two countries were to be equalized, the country with the higher duty to make the necessary reduction. Ireland was to make a contribution to the upkeep of the British navy. The scheme was a failure. In the Irish Parliament, it was approved, though not without protest. In Britain, it was received with a storm of opposition. Pitt had to accept amendments which the Irish regarded as infringing their recently acquired legislative independence.[2] When the amended proposals were submitted to the Irish Parliament, they met with so little support that the government deemed it expedient to withdraw them.

Foiled in his attempt to unite the two nations by economic

[1] Hitherto Irishmen had been debarred from all trade with the East, which was reserved for members of the English trading companies. The possibility that the Irish Parliament might charter an East India Company was a cause of anxiety to English statesmen. In 1793, the English Company agreed to send one of its ships annually to Cork to take in an Irish cargo for sale in the East. With this concession, the Irish Parliament professed itself satisfied and the project of an Irish East India Company never materialized.

[2] For example, Ireland was to enact all laws passed by the British Parliament for the regulation of navigation and the colonial trade.

ties, Pitt had no choice but to push on with his plans for a parliamentary union. With the political intrigues and manœuvres that procured the Union of 1801, we are not here concerned. The fiscal and financial provisions of the Treaty alone interest us. Free trade was established in principle between England and Ireland, but in order that Irish manufacturers might have time to adapt themselves to the new situation, temporary duties of 10 per cent. were retained on a number of articles, chiefly cottons, silks, glassware and hats, to be paid when the goods passed from one country to the other. Most of these duties were abolished in 1821, the remainder in 1826. The financial provisions of the Treaty were complicated. The English and Irish Exchequers were to remain separate and Ireland was to meet $\frac{2}{17}$ of the joint expenditure of the United Kingdom, the proportion to be revised every twenty years. Each country was to remain responsible for its pre-Union debt, but if at any time the two National Debts came to be in the same proportion as the contributions of the two countries to imperial expenditure (i.e. in the ratio of 15 to 2), then the United Parliament might order the amalgamation of the Exchequers, provided it considered Ireland ripe for a system of equal taxation. The proportion, $\frac{2}{17}$, was arrived at after a careful estimate of the taxable capacity of the two countries, based on an examination of their imports and exports and their consumption of dutiable articles, but there seems little doubt that Ireland's contribution was fixed too high. A complicating factor was the heavy war expenditure of the next fifteen years. Ireland proved quite unable to raise more than about half her imperial contribution by taxation. The remainder had to be defrayed by loans and the Irish National Debt went on multiplying at a rate that threatened the country with bankruptcy. The only solution was the consolidation of the Exchequers, which was carried out in 1817, it being assumed that the National Debts were by that date in the required proportion. Thereafter, with slight exceptions, the Irish taxational system was assimilated to that of England.

The consequences to Ireland of the Union were not unlike those which Scotland experienced in similar circumstances. Exposed to the competition of a highly industrialized country,

her manufactures, with the exception of linen, could not stand the strain, and their decline was accelerated by the development of new methods of power production, by which Ireland could not profit, owing to her lack of coal and iron. Agriculture relatively prospered, but against this must be set the misery and degradation of the agricultural population. The Union did little to mitigate Ireland's real difficulties. It relieved an awkward political situation, but it left untouched the economic evils which condemned the mass of the Irish people to hopeless poverty. Ireland entered on a new era of her political history, but her most pressing social problems remained unsolved.

FURTHER READING.—Chart, *Economic History of Ireland*; O'Brien, *Economic History of Ireland in the Seventeenth Century*; *Economic History of Ireland in the Eighteenth Century*; Murray, *Commercial Relations between England and Ireland*; Gill, *Rise of the Irish Linen Industry*; Kiernan, *History of the Financial Administration of Ireland to 1817*.

BOOK IV

FROM THE EIGHTEENTH CENTURY TO THE PRESENT DAY

CHAPTER XXII

THE INDUSTRIAL REVOLUTION

Nature of the Revolution.—The ' Industrial Revolution ' is the term applied to the aggregate of changes which during the last hundred and fifty years have made industry instead of agriculture the principal occupation of the leading nations. The primary cause of this transformation was the notable expansion of overseas commerce in the seventeenth and eighteenth centuries, which, as already explained, was the outcome of the geographical discoveries of Columbus and Vasco da Gama. The enlargement of the market for European commodities, more especially the extension of the demand for simple, easily standardized goods suitable for manufacture by machinery (like the cotton loin-cloths, worn by the natives of India), reacted on industry and produced what is the most striking external feature of the Revolution, the rapid expansion of machine methods of production. Hitherto, as already explained, the use of machinery in industry, though not unknown, was exceptional and occasional. It now became the normal mode of industrial production. Hand in hand with this industrial development went a phenomenal increase in the number and size of towns, the traditional seats of industry. The countryside was swept bare to provide recruits for the huge labour armies of industrialism. In the eighteenth century, 9 Englishmen out of every 10 lived in the country. In the twentieth century, 4 out of every 5 were inhabitants of towns. There have been few more momentous social changes than this transformation of the average Englishman from a countryman to a town-dweller.

In their external relations, no less than in their internal economies, the industrialized countries underwent a revolu-

tion. New ties united them in an economic community of nations with the older agricultural countries. A world economy was born. The industrialized countries specialized in the production of manufactures which they exchanged for the food and raw materials of the agricultural countries. The self-sufficiency of both groups was impaired. Instead of the cluster of independent national economies, of which the world had hitherto consisted, there appeared a single, large economy, of which the nations formed component and interdependent parts. It was like the change from the inchoate protoplasm of the natural world to the highly differentiated organism. Mutual dependence was the note of the new order. The prosperity of the part became intimately bound up with the prosperity of the whole. A dozen international crises in the last hundred years have helped to drive home the truth that the world, from the economic point of view, is an organic unity. Thus though the direct victories of industrialism have been confined to a comparatively small part of the world's surface, to north-western Europe and the eastern United States, yet its effects have been transmitted to the farthest corners of the globe. The economic life of the coloured as well as of the white races has received a new orientation because of the Industrial Revolution. The whole world has been swept into the economic orbit of industrialism.

In the working out of the new tendencies, Great Britain was a pioneer. For this part, she had many qualifications. Her soil was rich in coal and iron, which were to become the daily bread of modern industry. Within her political frontiers, she enjoyed uninterrupted freedom of trade, whereas the domestic markets of her Continental rivals were cut up by tariff barriers. Her social system was purged of the worst abuses of feudalism, which still remained in France and Germany to paralyse the efforts of the industrious classes. She had an efficient banking system which permitted her to make the most of her capital resources. But outweighing in importance all these circumstances was the fact that she, alone among European nations, had an extensive overseas empire. In the scramble for markets in Asia, Africa and America, Britain had obtained the lion's share.

Her naval strength ensured her the superiority over all her rivals. It was an age when trade followed the flag, which meant that the economic influences radiating from the new overseas markets were concentrated on Britain alone. Her internal economy was the first to react to the new forces. To this combination of favouring circumstances, political, social and economic, but above all political, Great Britain owes it that she was the first country in the world to be industrialized.

The Steam-engine.—The mechanization of industry is the most arresting feature of the Industrial Revolution, and it is intimately connected with the development of the steam-engine. The chief reason why machinery had made so little progress hitherto was the lack of an efficient motive-power. Wind is proverbially capricious and even water cannot always be relied on. It freezes in winter and dries up in summer. Moreover, both wind and water are limited by conditions of place. The machine must be brought to the power, the power cannot be brought to the machine. Steam suffers from none of these limitations. It is entirely under man's control and can be produced from water and coal on the exact spot and in the precise proportion required. The steam-engine supplied the indispensable technical basis for mass-production by machinery, for which the expansion of overseas trade had previously provided the necessary economic environment. Electricity and other motive-powers when they came later could only reinforce the effects already produced by steam.

The expansive power of steam is not a discovery of the modern age. It was known 1,900 years ago by Hero of Alexandria, but the knowledge was put to no practical use till a Frenchman, Papin, in the late seventeenth century, invented the combination of the cylinder and piston. This arrangement was improved by later inventors like Savery and Newcomen. The Newcomen engine was widely used in England in the eighteenth century to pump water out of mines. This, indeed, was practically the only use to which it could be put, for the up-and-down movement of the piston could not be applied to turn a wheel and drive machinery. Another drawback of the early engines was their heavy

consumption of fuel. In the Newcomen engine, when the inrush of steam had driven the piston to the top of the cylinder, it was forced back again by the action of the atmosphere. The cylinder was sprayed with cold water, the steam inside condensed, forming a vacuum, and the pressure of the outer air on the piston head forced it down again. Then the cylinder had to be reheated. This alternate heating and cooling of the cylinder involved a tremendous waste of fuel.

The defects of the Newcomen engine were removed by James Watt (1734–1819). He attached to the cylinder a separate condensing chamber into which the steam was admitted and cooled, the cylinder itself always remaining at the same heat. Next, he applied steam to both sides of the piston head, driving it down as well as up by steam-power, and dispensing with the action of the outer air. Finally, by a complicated arrangement of cogs and swivels, known as the ' sun and planet ' motion, he adapted the piston to circular motion and made it capable of driving machinery.[1] The invention of Watt's rotary engine (1781) is a central date in the Industrial Revolution. The new motive-power speedily invaded and conquered the whole field of industry. By 1871, all but 5 per cent. of the million horse-power used in British factories was produced by steam.

Electricity, Oil and Gas.—In the later nineteenth century, other motive-powers came to challenge the supremacy of steam. Electricity has many advantages over its rival. It can be produced in bulk more cheaply, and it can be transmitted over long distances. From most points of view, indeed, it is the ideal motive-power. In 1866, an electric engine was invented independently, and almost simultaneously, by Varley, Siemens and Wheatstone. But though extensively used for lighting, traction and news transmission, electricity was only slowly applied as a motive-power in industry. Partly, this was due to its costliness, which in turn was the result of the conditions under which it was produced. Until recently, most of the electricity produced

[1] In this last development, Watt was anticipated by Pickard, who used the simpler contrivance of the crank. Watt's cumbrous device was adopted merely to avoid infringing Pickard's patent.

in this country was manufactured in small generating stations, operating in isolation and sacrificing all the economies of bulk production. After the War, the unwisdom of these methods was realized and a scheme was evolved for the concentration of electricity production in a small number of giant stations linked up with each other. This is the system known as the ' gridiron ' or the ' grid '. It is controlled by the Central Electricity Board, created in 1926. When the Board commenced operations, there were over 500 generating stations in Britain, producing 10,000 million units. When its plans are completed (probably about 1941), there will be only 60 giant stations with a productive capacity of 25,000 million units.

Gas and oil rank far below steam and electricity as motive-powers. They supply fuel for what is known as the ' internal-combustion ' engine, in which power is provided by a continuous series of small explosions, like that which drives a bullet from a rifle. The first practicable gas-engine was invented by Lenoir in 1870. It was greatly improved six years later by Otto. The most successful oil-engine is the Diesel, first patented in 1892.

Some indication of the proportions in which British industry uses these different kinds of power is given in the following table taken from the Census of Production, 1924.

Steam	9,654,680	horse-power
Electricity	7,787,000	,,
Gas and Oil	1,093,300	,,
Water	123,900	,,
Other	325,300	,,

Coal and Iron.—The growing use of power-driven machinery conferred a new importance on coal and iron. Coal was required to drive the new machines, iron to supply the material of which they were made. Down to the early eighteenth century, the main demand for coal was for consumption as domestic fuel. In 1700, the output was only about 3 million tons ; in 1800, 10 million tons. During the nineteenth century, the use of coal for iron-smelting and for the creation of steam-power made coal-mining one of Britain's basic industries. On the eve of the War, it employed nearly

a tenth of the working population, and its annual output was 275 million tons. The chief British coalfields are in the English Midlands, South Wales, Northumberland and Durham. These produce about three-fourths of the total output. Smaller fields are to be found in the Scottish Midlands, Lancashire, the Forest of Dean, the Bristol district, and (recently) in Kent.

Somewhat paradoxically, the industry which is the indispensable basis of mechanical production is itself the least mechanized of all. Until quite recently, coal-digging was mainly a handicraft. The chief agent was the hewer with his pick and shovel. In the later nineteenth century, coal-cutting machines were introduced, but their progress in this country was slow. In 1901, only $1\frac{1}{2}$ per cent. of British coal was cut; in 1931, the figure was 35 per cent.[1] Such technical progress as coal-mining has made in the last hundred years has consisted not so much in the introduction of coal-cutting machinery as in the sinking of deeper shafts, the adoption of more up-to-date methods of transporting coal to the surface and the provision of better ventilation systems which reduce the danger of accident. This has enabled deeper seams to be worked and increased the amount of available reserves.

Iron has had a more chequered history than coal. At the very time when economic developments were placing new demands on the English iron industry, it was threatened with extinction. Its fuel supply was giving out. For centuries, charcoal had been used to smelt the iron-ore, but now, owing to the destruction of the woods and forests, timber was becoming scarce, and the public authorities were placing restrictions on the use of a material so essential to the national safety in the days when England was protected by her 'wooden walls'. It looked as if the English hardware industries would have to depend on foreign imports for their raw material. From this fate, they were saved by the invention of an English ironmaster, Abraham Derby of Coalbrookdale in Shropshire. In the early years of the eighteenth century, Darby treated coal as the charcoal-

[1] Greater progress, however, is recorded in individual coalfields. In Northumberland, the percentage of cut coal is 70, in Scotland, 66.

burners had treated wood, and obtained a fuel, coke, which was an effective substitute for charcoal. It was a little time before the new invention came into general use, but when it did, in the later eighteenth century, the English iron industry entered on a new lease of life. In 1829, Neilson, a Scotsman, invented the hot blast, which enabled raw coal to be used instead of coke. This was of great advantage to those districts (like Scotland) which did not possess good coking coal.

Of the three chief types of iron—cast-iron, wrought-iron and steel—cast-iron is the easiest to produce, but it is a brittle metal, unsuitable for most industrial purposes. It has a high carbon content. To turn it into the tougher and more useful wrought-iron, the carbon has to be removed. Down to the eighteenth century, this was done by hammering it in a forge. Steel is the most valuable metal of all. It can be made hard as a diamond or pliable as a twig. It contains only a moderate amount of carbon, and in manufacturing it, the old ironmasters found it very difficult to hit the right proportion. Down to the nineteenth century, the cost of production was so high that steel could only be used for special purposes like the making of sword-blades.

Towards the close of the eighteenth century, a cheaper and better method of making wrought-iron was discovered by Henry Cort (1740–1800). Cort used a reverberatory furnace in which the flame *reverberated* or was struck down from the roof. This allowed the metal and the fuel to be kept apart, and while the metal was being heated, it was continually stirred up with a long ladle, called a ' puddling-stick ', until all the carbon was burned out.

For cheap steel, the world had to wait till the middle of the nineteenth century. In 1856, Bessemer invented the process called by his name. A hot-air blast was forced into an egg-shaped vessel (a converter), filled with molten iron. The intense heat burned out the carbon and reduced the mass to wrought-iron. Then small quantities of *spiegeleisen*, a peculiar kind of cast-iron, containing ascertainable amounts of carbon, were added until the wrought-iron was turned into steel. The Bessemer process had one grave drawback. It could only be used with ores that did not contain phosphorus,

and few British ores were of this kind. In 1879, this defect was remedied by two English chemists, Thomas and Gilchrist, who found that lining the converter with lime or manganese removed the phosphorus from the ore. In the meantime, Siemens, a German naturalized in England, had invented the 'open hearth' process, by which steel was made in a reverberatory furnace (1861). This method was slower than the Bessemer, but it had the advantage that the progress of the metal could be watched and controlled. In the improved form given to it by Martin, a French ironmaster, it has very largely displaced the Bessemer process. To-day, over 90 per cent. of British steel is made in 'open hearths'.

Engineering and Shipbuilding.—Engineering is essentially machine-making. In the eighteenth century, there was no skilled craft of machine-makers. The early inventors had to rely on a miscellaneous collection of blacksmiths, carpenters and wheelwrights, whose habitually inaccurate work was a serious obstacle to technical progress. Watt complained that he was supplied with cylinders an eighth of an inch wider at one end than at the other. Such discrepancies were fatal. Until inventors could get their machines properly built to scale, the mechanization of industry could not take place.

The task of creating a skilled craft of machine builders was undertaken by a number of employers, among whom, Boulton, Watt's business partner, was a pioneer. London in this early period was the headquarters of British engineering, and its workshops gave the mechanic the thorough all-round training which turned him out fit to face any problem of machine-making. In London, also, were invented and manufactured most of the machine-tools, which removed the last obstacles in the way of accurate workmanship. The great difficulty in working with iron is that the human hand cannot keep a tool pressed steadily against a hard metal surface. This difficulty was overcome by the invention in 1794 of Maudslay's slide-rest, which holds and guides the cutting tool along the iron. Other notable inventors of machine-tools were Bramah, Nasmyth and Whitworth. Bramah first made machine-tools to manufacture patent

locks; Nasmyth is famous for his steam-hammer; Whitworth standardized screws and machine parts and became the pioneer of the standardization movement which has done so much to simplify the problems of machine construction and repair. By the middle of the nineteenth century, engineering had surmounted most of its difficulties and was in the front rank of Britain's staple industries. There were 800 specialized engineering establishments with half a million highly trained employees.

Among the industries which use iron and steel as their raw material, shipbuilding, in this country, takes an unusually important place. Towards the close of the nineteenth century, four-fifths of the world's tonnage was constructed in British shipyards. This supremacy was of comparatively recent date. So long as ships were made of wood, it looked as if the United States, with its inexhaustible supplies of timber, might become the leading shipbuilding country in the world. The situation was saved for Britain by the change over from wood to iron and steel in the construction of ships and by the rapid extension of steam navigation. With her plentiful supplies of coal and iron and her superiority in engineering, she had all the conditions now necessary for a prosperous shipbuilding industry. The Tyne, the Wear, the Tees and the Clyde became important shipbuilding centres. In 1930, nearly four-fifths of the tonnage launched in Britain came from these areas.

The Textile Industries.—Though reserved to the last in this enumeration, the textile industries were the first to undergo the technical transformation due to machinery and mechanical inventions. Even before the advent of steam, machine production had made considerable headway in the spinning of cotton and woollen yarn. Of the two great textile processes, weaving had always been more rapid than spinning, and the discrepancy was accentuated about 1733 by the invention of Kay's flying-shuttle, a mechanical arrangement by which the shuttle was jerked across the loom instead of being passed slowly by the weaver from one hand to the other. The difficulty of keeping the weavers supplied with yarn created an urgent need for a spinning machine and it was met about 1770 by two inventors, Hargreaves with his

spinning-jenny, and Arkwright with his water-frame. A little later, Crompton combined the best points of these two inventions in his spinning-mule. All these machines, it should be observed, were worked at first by hand or driven by water-power. They came before the steam-engine had been adapted to the propulsion of machinery. Their immediate effect was to upset the balance of the textile industries in another direction. Spinning became more rapid than weaving and the need now arose for a weaving machine. It was supplied in 1787 by an amateur inventor, the Reverend William Cartwright. The idea of Cartwright's power-loom was sound but it was too clumsy to be practicable. It was only after it had been improved twenty years later by practical weavers like Radcliffe and Horrocks, that power weaving began to establish itself in the textile industries.

The coming of machinery coincided with an important change in the relative importance of the two chief textiles, wool and cotton. It was in the cotton industry that the new mechanical inventions were first adopted. Their application to the spinning and weaving of wool came at least a generation later. This want of enterprise on the part of woollen manufacturers may possibly be explained by their tendency to rely on State aid or by the network of legal regulations in which they were entangled. Whatever the explanation, the result was to relegate wool to the second place among the textiles. The progress of cotton, especially after the removal of the ban on pure cottons in 1774, was exceptionally rapid. Between 1780 and 1790, the imports of raw cotton quadrupled. Wool never recovered the ground it had lost. In 1835, there were four times as many persons employed in cotton factories as in woollen. On the eve of the War, the gross output of the cotton industry was double that of its rival.

Industrial Specialization.—The Industrial Revolution made Britain not merely a highly industrialized country, but a country which specialized in half a dozen staple industries, namely coal, iron and steel, engineering, shipbuilding and textiles. The point reached by this concentration movement at the beginning of the twentieth century is indicated in

the following table taken from the Census of Production, 1907.

	Gross Output	Persons Employed
Mining and Quarries	£148,026,000	965,230
Iron, Steel, Engineering, Shipbuilding	£375,196,000	1,539,415
Other Metal Trades	£93,465,000	114,473
Textiles	£333,561,000	1,253,044
	£950,248,000	3,872,162
All Other Trades	£815,118,000	3,112,814
Total	£1,765,366,000	6,984,976

FURTHER READING.—Mantoux, *The Industrial Revolution*; Clapham, *Economic History of Modern Britain*, Vol. I, chaps. v and x, Vol. II, chaps. ii and iii; Fay, *Great Britain from Adam Smith to the Present Day*, chaps. xiii to xvi; Rees, *Survey of Economic Development*, Pt. IV; Knowles, *Industrial and Commercial Revolutions in Great Britain*; Hammond, *Rise of Modern Industry*; Hamilton, *Industrial Revolution in Scotland*; Dodd, *Industrial Revolution in North Wales*; Lord, *Capital and Steam Power*; Ashton, *Iron and Steel in the Industrial Revolution*; Lipson, *History of the English Woollen and Worsted Industries*; Daniels, *Early History of the Cotton Industry*.

CHAPTER XXIII

CONSEQUENCES OF INDUSTRIALISM

Large-scale Production.—The use of power-driven machinery confers obvious advantages on an enlarged output. When the machines are ' running full ', the standing or overhead expenses are spread over a larger number of units and the cost of producing each is correspondingly reduced. Industry, in contrast to agriculture, is subject to a law of increasing returns or diminishing costs. Everything combines to encourage large-scale production. Closely allied with this tendency, though not inseparably connected with it, goes a movement to increase the size of the technical unit of production. The factory or its equivalent supplants the workshop. For this development, steam has been primarily responsible. Steam naturally makes for industrial concentration. Unlike electricity, it cannot be transmitted over long distances. It must be used on or near the spot where it is created. To fit up expensive steam-driven machines in domestic workshops is quite impracticable, nor can the power be distributed to them from a common centre. As the power cannot be brought to the workers, the workers must come to the power. The machines must be concentrated in a large building or factory, to which the workers resort in order to tend them. It is interesting to speculate on what would have happened if electricity had arrived before steam. Possibly the old system of workshop production might have survived. Indeed, there are some who think or hope that the increasing use of electrical power will bring about a gradual decentralization of industry.[1] But in point of fact, steam came first, and the

[1] For a discussion of the advantages of decentralized industry, see Kropotkin's *Fields, Factories and Workshops.*

result was industrial concentration with the substitution of large productive plants for small.

The rise of the factory is a little difficult to trace. So much of its history went unrecorded.[1] Mills first made their appearance in the spinning branch of the textile industries. This was not only because the first machines were spinning machines, but because spinning was mainly a woman's employment, and women showed less reluctance than men to submit to factory discipline. The growth of weaving mills was a later development. It came after the invention of the power-loom, when the competition of machine-made goods drove the hand-loom weavers, by 'the whip of hunger', to take employment in the hated factories. The experience was a bitter one for the generation of workers who had known the comparative freedom of the old domestic workshops.

By about 1840, the factory or its equivalent was predominant in the textile, the metal and the mining industries, and a contemporary could declare that 'every branch of industry in England . . . is daily assuming more and more the aspect of factory organization'.[2] This was true, yet in the event the tendency to large-scale production proved less irresistible than had been anticipated. The Marxian prediction that 'competition . . . always ends in the ruin of many small capitalists, whose capitals partly pass into the hands of their conquerors, partly vanish',[3] has not yet received complete fulfilment. Recent Censuses of Production show that in certain industries such as paper, printing, clothing, food, drink and tobacco, the size of the average unit of production remains comparatively small,[4] and if we survey the field of industry as a whole, the number of small industrial workshops is amazingly large. Of the 127,768 factories (with 5 million employees) recorded in Britain in 1930, 76

[1] In Unwin's *Samuel Oldknow and the Arkwrights*, we have the history of a man who began as a merchant-middleman and ended as a factory-owner.

[2] Cooke-Taylor, *Factories and the Factory System*, 1864, p. 111.

[3] *Capital*, Vol. I, pp. 686–7.

[4] In 1924, the number of employees per average unit in these industries was less than 65; P. Sargent Florence, *The Logic of Industrial Organization*, p. 34.

per cent. had less than 25 workers, while in addition there were over 100,000 ' workshops ' with 3 million employees.[1] The general proportion of employers to workmen in this country is not much more than 1 : 25.

How are we to explain the astonishing vitality of the small technical unit ? Many existing workshops, of course, are merely morbid survivals of an obsolete industrial system, and will eventually disappear. Economic tendencies require time to work out their effects. But this is not the whole explanation. The truth is that even in the modern industrial system, where so many factors combine to favour large-scale production, there are circumstances and situations which confer an absolute superiority on small industrial units. Whenever there is any limitation or irregularity in the supply of the raw material used by an industry, or in the demand for its products, then small firms have an advantage. Diamond-cutters and gold-beaters do not usually have large establishments. The raw material which they handle is too limited for that. Fish-curing businesses are not large, because the supply of their raw material is frequently interrupted, and small enterprises can bear the loss of these fluctuations better than large businesses. On the side of demand, there may be similar limitation or irregularity. In the high-class tailoring trade, each customer has special tastes of his own which must be satisfied. So restricted a demand offers no opportunity for mass production. Again, the demand for the services of jobbing tradesmen, plumbers, carpenters, and motor mechanics, is too occasional and spasmodic to support large establishments. The speedy elimination of all the factors making for the survival of the small workshop is scarcely to be anticipated, and so, although the tendency to large-scale production will doubtless strengthen and increase, a substantial part of the industrial field must remain for long under the control of the small producer.

Joint-Stock Enterprise.—Distinct from the technical unit of production, the factory or industrial plant, is the business unit or the firm. The two may coincide, or the business

[1] *Report of Chief Inspector of Factories and Workshops*, 1930, Cmd. 4098, p. 150. For the purposes of factory inspection, a ' workshop ' is a place where handicraft is carried on by women and children.

unit may embrace a number, sometimes a large number, of technical units. In the early days of industrialism, this latter development was not so frequent. Firms were small and their capital resources were limited. The banks would provide short-period loans for working expenses, but capital for permanent investment in a business had to be supplied by the owner, his partners or his friends. The first generations of factory-owners were men of thrifty, even penurious habits, who provided out of their own savings the sinews of industrial war. But industry would never have expanded to its present limits if industrialists had remained tied down to their own financial resources. Some device was required which would allow them to tap the savings of the community. Such a device was discovered in joint-stock enterprise. A joint-stock company is a kind of extended sleeping partnership. The sleeping partners are the shareholders who supply the capital and share in the risks of the business but leave the management in the hands of the active partners, the directors, who are usually big business men. Nominally the governing authority is the annual meeting of the shareholders, but, except when dividends dwindle, the shareholders follow the directors like sheep. Joint-stock enterprise is not democracy in business, nor diffusion of capital ownership throughout the community, nor a number of other fine things that it has been called. It is simply a contrivance which places the savings of a large number of small people at the disposal of an oligarchy of financiers and large industrialists.

Down to the nineteenth century, joint-stock enterprise was mainly confined to monopolistic mercantile or banking enterprises like the East India Company or the Bank of England. It was not applied on any scale to industry. The formation of a joint-stock company was a tedious and expensive business. By the Bubble Act of 1720, every company must obtain a charter from the Crown or from Parliament. It was scarcely worth while taking this trouble, especially when the law insisted on the unlimited liability of each shareholder for the company's debts. A company in such circumstances had very little advantage over a partnership. In 1825, the Bubble Act was repealed; and in 1844, companies might

incorporate themselves by simple registration. But the chief obstacle to joint-stock enterprise, unlimited liability, was not removed till 1855. In that year, Parliament conceded limited liability in a few cases. The privilege was made general in 1862. Thereafter, a shareholder was responsible for his company's debts, only to the extent of his share. From this time onwards, the number of companies slowly but steadily increased. In 1844, there were less than 1,000. In 1885, the number was nearly 10,000 with capital of £500,000,000; in 1900, the number had risen to 30,000 with a total capital of £1,500,000,000. These were public companies with the right to issue transferable shares to any amount, but under the necessity of filing a copy of their annual balance-sheet with the Registrar of Companies. In 1907, legal recognition was granted to private companies, consisting of less than 50 members, with no right to issue transferable shares but under no obligation to make public their balance-sheets. Many small partnerships and family firms were now able to take the joint-stock form, and the number of companies enormously increased. In 1930, there were 113,327 with a capital of £3,300,000,000. Of these, nine-tenths were private companies, holding, however, between a third and a fourth only of the total capital.

'The only trades', wrote Adam Smith in 1776, 'which seem possible for a joint-stock company to carry on successfully without an exclusive privilege are those of which all the operations are capable of being reduced to what is called a routine.'[1] Experience has confirmed the soundness of this judgement. There is a certain want of flexibility about joint-stock management, a tendency to red-tape and diffusion of responsibility, which interferes with rapid decisions. For what the Germans call *konjunktur* businesses, i.e., businesses which are liable to be suddenly faced with new situations, calling for prompt action, joint-stock enterprise is not generally suited. Most commercial businesses are of this kind. The number of industries, however, capable of being reduced to routine management is much larger than Adam Smith supposed. It remains true, nevertheless, that a slight diminution in managerial efficiency is part of the price in-

[1] *Wealth of Nations*, Vol. II, p. 390.

dustry has to pay for the benefits it derives from joint-stock organization.[1]

Industrial Combinations.—A natural consequence of the tendencies examined in the last two sections is the growth of giant businesses through the alliance or the fusion of independent firms. In Great Britain, this trust movement, as it is called, is a comparatively new one. It is only since the beginning of the present century that industrial combinations have exercised any appreciable influence over British industry. Amongst the reasons for this tardy development may be mentioned the attitude of the law, which is unfriendly to associations in restraint of trade; the absence (until recently) of protective tariffs, which made it harder for combines to secure control of the home market; and finally the dispersion of industrial resources, e.g. the coal- and iron-fields, which, in this country, are scattered, in striking contrast to their concentration in Germany and the United States. Even in this age of rapid communication, it still remains true that industrialists combine more easily when their businesses lie close to one another than when they are dispersed over a wide area.

Combinations are of two kinds, vertical and horizontal. The first is an association of producers at different stages of the same industry. It supplies a very needful corrective to the extreme specialization which is the logical consequence of large-scale production. The metal industries are an example. Here, there are groups of independent yet related producers, whose interests are bound to suffer if they do not work in harmony. Iron-mining and coal-mining, the manufacture of wrought-iron and steel, the making of machines, locomotives, ships and munitions of war, are all links in the chain of industrial processes which turn iron-ore into finished metal products. Co-ordination is essential. The iron-miners must not continue digging up ore, when the makers of iron and steel goods can find no market for their products. On the other hand, when a demand springs up for iron and steel, iron-

[1] Andrew Carnegie once said, 'I don't believe any corporation can manage a business like a partnership. When we were partners, we could run all round the corporations.' Quoted in E. D. Jones, *Administration of Industrial Enterprises*, p. 22.

masters must be in a position to command at once a supply of their raw material. Such co-ordination is secured by vertical combination. In the metal industries, there is a very strong impulse towards it, and it is here that the most important examples of vertical combination are to be found. As early as 1900, two British firms, Vickers and John Brown and Co., united under one control iron mines and coal mines, railways, iron forges, steel furnaces, shipyards and engineering works. Other combinations of this type are the Lever Soap Combine, which owns plantations abroad that supply the palm-oil and other raw materials required in the making of soap, and the Inveresk Paper Company, which in 1926 bought up a number of newspapers and magazines to secure an exclusive outlet for its staple product.

Horizontal combinations possess even greater economic significance. They are formed amongst competing producers and their object is to restrict competition and if possible to establish a monopoly. A striking instance of a combination of this kind is the sewing-thread firm of J. and P. Coats. Originating in a tiny mill founded in Paisley in 1826, Coats' by 1890 controlled a third of the British sewing-thread business. The firm was turned into a limited liability company and within the next few years absorbed its principal rivals. It has never possessed an absolute monopoly, but, as the Committee on Trusts pointed out in 1919, it controls 95 per cent. of the thread for domestic use and a large percentage of that employed in manufacturing processes. It has therefore no difficulty in making its prices prevail. The firm has enjoyed great prosperity and has always been able to declare substantial dividends. Its success has been due partly to the hereditary business ability which has shown itself in several generations of the Coats family, partly to the courage of the directors in refusing to buy up rival firms unless they were in a sound financial condition. This is a risky policy, because the excluded firms may take their revenge in frenzied campaigns of price-cutting, but once this danger is weathered, the combine is in a very strong position because it is saved from the necessity of carrying a load of watered capital on which no profits can be earned. Buying up bankrupt com-

petitors to keep them from queering the market has been the ruin of innumerable trusts.

Coats' on the whole has used its price-fixing power with moderation. It may even claim to have reduced prices by the economies of mass production, though whether it has reduced them as much as it might have done is another question. In 1919, the Committee on Trusts maintained that the 400-yard reel which Coats' was selling at $7\frac{1}{4}d.$ might have been priced at 6*d.* An outside competitor, however, had to admit that he could not have produced the same reel at less than 1*s.*

Two other horizontal combinations which may be mentioned in passing, are Distillers' Company Ltd., which since 1925 has controlled practically all the whisky produced in this country ; and the Lever Combine, which manufactures 75 per cent. of British soap. The latter is an interesting example of a combination which is both vertical and horizontal.

Opinions differ as to the extent to which monopoly has established a hold over British industry. The Committee on Trusts (1919) enumerated 93 associations of a monopolistic character and declared that such combinations might ' within no distant period exercise a paramount control over all important branches of British trade '. The Balfour Committee on Trade, a few years later, sounded a less alarmist note, stating that consolidations covered only a small proportion of industry as a whole, not more than a fifth, measured by the number of workers employed. Trusts, nevertheless, have multiplied with extraordinary rapidity since the War and their growth is not likely to diminish. In view of its anti-social character, the movement is bound to excite apprehension. The object of every monopoly is to exploit the consumer. Public control is urgently needed but American experience amply demonstrates the difficulties of State regulation. It is curious that a movement which results in the destruction of free competition should itself arise naturally out of competitive conditions. If not checked, it must eventually produce a fundamental change in the character and basis of the present economic system.

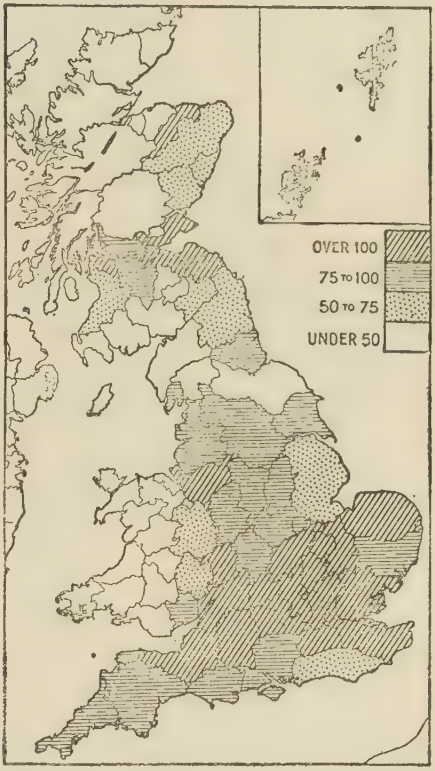
Localization of Industry.—Another notable feature of modern industry is its tendency to geographical concen-

tration. One or two instances will make this clear. In the Middle Ages, the woollen industry was carried on in innumerable centres, scattered up and down England. By the sixteenth century, it had ' localized ' itself in three areas : South-west England, East Anglia, and Yorkshire. In the nineteenth century, it was confined almost entirely to the last of these districts. Similarly, cotton in the eighteenth century was manufactured in Lancashire, the English Midlands and the west of Scotland. It is now concentrated in Lancashire. Shipbuilding, which was once carried on all along our sea-coasts, is now mainly centred in North-east England and the Clyde. Not only is there this concentration of industries in particular districts, but within each district itself a certain amount of localization takes place. In Yorkshire, Bradford and Huddersfield produce worsteds ; Leeds, woollens ; the Dewsbury district specializes in shoddy. Within Lancashire, Preston and Blackburn weave, Bolton and Manchester spin fine yarns, Oldham and Ashton spin coarse yarns. All this specialization is the logical outcome of large-scale production. Localization produces this further paradoxical result, that as the output of an industry increases, so the geographical area which it covers diminishes.

The factors which attract industries to particular districts are (*a*) proximity to raw materials, (*b*) presence of motive power, e.g. coal, (*c*) access to important markets, and (*d*) favourable climatic conditions (like the damp atmosphere which is suitable for cotton-spinning in Lancashire). Transport is an all-important and all-pervading factor. It is the very basis of localization. Without improved means of communication, industries could not produce for export from their own districts. On the other hand, transport developments tend to weaken some of the factors making for localization. It is no longer so necessary to settle near raw materials or important markets, when these can be reached easily by rail or sea.

Some of the factors we have mentioned exert practically the same pull on all industries and tend to make them settle in the same districts. This is particularly true of motive power in the form of coal ; hence during the nineteenth century there grew up round the coalfields these great in-

dustrial regions which are so characteristic of modern industrialism. Britain has about half a dozen; (*a*) North-east England, (*b*) Yorkshire, (*c*) Lancashire, (*d*) the Black Country (in an extended sense), (*e*) South Wales, and (*f*) the Clyde. Ireland has a small industrial district round Belfast. The unlovely features of these areas are painfully familiar to us; their smoky factory towns, their crowded industrial populations, their mills, collieries, forges and railway sidings following each other in endless succession. Centres of wealth and population, they are also the seats of most of the chronic social diseases of our industrial civilization.



THE POPULATION OF BRITAIN IN 1801 PER SQUARE MILE (SCOTLAND IN 1755)

THE DENSEST POPULATION WAS IN THE BETTER AGRICULTURAL AREAS: THE COALFIELDS HAD NOT YET EXERTED THEIR INFLUENCE

The most important recent change in the geographical distribution of British industry is the rise of a new industrial district round London. It is not quite accurate to say that industry is migrating southwards. The older industries are still where they first localized themselves, in the north and the Midlands. But the newer industries, the making of motors, gramophones, electrical equipment, artificial silk, &c., are settling in the south. These industries use electrical rather than steam power, and proximity to the coalfields is not an advantage to them. On the other hand, most of them produce semi-luxury goods for the home market, and

the neighbourhood of a great population centre like London is a distinct convenience. Down to the Industrial Revolution, the south-east was the wealthiest and most densely populated part of England. It lost this position in the nineteenth century to the north and Midlands. Now it would seem as if the balance of wealth and population were beginning to move southwards again.

Industrial Crises.—No description of modern industrialism would be complete which omitted a reference to its liability to devastation by sudden catastrophic storms. The regular recurrence of these economic cataclysms is one of the most disturbing features of the present system. Prior to the Industrial Revolution, industry proceeded on a fairly even keel, except when upset by wars, revolutions, plagues or famines. But since the early nineteenth century, there has been a regular ebb and flow of industrial activity, trade boom passing into trade depression, and trade depression gradually quickening into trade boom. The turning point is usually marked by a crisis, which is *industrial*, because industry feels the shock most severely; *international*, because its effects are felt right through the world economy; and *periodic*, because a crisis of this kind occurs with unfailing regularity every ten years or so. The following are the principal dates:

1825	1866	1900
1837	1873	1907
1847	1882	1921
1857	1890	1931

A satisfactory explanation of this rhythmical movement of industry is hard to find. Theories there are in plenty, but they usually over-emphasize one causal factor: over-production, over-capitalization, under-consumption, credit inflation, &c. No formula which adequately represents the complex of forces at work has yet been devised. In these circumstances, the discovery of a remedy is almost impossible. The trade cycle remains one of the gravest defects of the present industrial system; in the opinion of socialists, an organic defect, which will end by destroying modern industrial civilization. The social suffering caused by crises is undeniable, but it must not be thought that they have no

THE PRESENT POPULATION OF THE BRITISH ISLES

THE THREE DIVISIONS CORRESPOND ROUGHLY WITH POOR AGRICULTURAL, GOOD AGRICULTURAL AND INDUSTRIAL TRACTS

GROWTH OF POPULATION IN THE BRITISH ISLES SINCE 1811

	United Kingdom	England and Wales	Scotland	Ireland
1811 . .	18,528,000	10,164,000	1,806,000	5,938,000
1861 . .	28,927,000	20,066,000	3,062,000	5,799,000
1911 . .	45,222,000	36,070,000	4,761,000	4,390,000
1931 . .	46,082,000 [1]	39,988,000	4,843,000	4,230,000 [2]

[1] Exclusive of Irish Free State.

[2] Census of 1926.

compensations. 'Every depression', said Henry Ford, 'stimulates the producer to put more brains into his work.' It also stimulates the workman to work harder. In times of dull trade, the average output of the manual labourer is higher than in periods of boom. More than one crisis has proved the starting-point of a new forward movement in industry.

Social Changes.—An economic upheaval like the Industrial Revolution could not fail to have violent reactions in the social sphere. New classes were created which the older agrarian society had difficulty in assimilating. Merchants and financiers acquired greater importance, and alongside of them appeared a new type, almost a heroic figure, the industrial capitalist. The new captains of industry united in themselves some of the epic qualities of the inventor, the explorer and the military conqueror. With their restless, dynamic energy, their superb courage and their unrivalled organizing power, they drove the English people along the economic paths which the Industrial Revolution had opened out for them. Despite their invaluable services to society, they found no recognition in a country where political power was monopolized by the landowners. Accordingly they allied themselves with the Whigs and Radicals and waged war on class privilege. In this political and social struggle, the Tory landowners sustained two important defeats, the passing of the Reform Bill of 1832 and the Repeal of the Corn Laws in 1846. Thereafter, the rivalry of the two great sections of property owners diminished, and during the later nineteenth century they began to draw together in alliance against their common foe, the industrial proletariat. The transformation of the Conservative Party into the Unionist Party, and the reduction to impotence of the Liberals, the traditional representatives of the manufacturing *bourgeoisie*, may be regarded as outward signs of this new alignment of social and political forces.

The growth of a large permanent wage-earning class was the other great social result of the Industrial Revolution. Herded into factory towns, subjected to a common industrial discipline, and suffering from the same economic disabilities, the industrial proletariat gradually developed a class-consciousness, which made it a political force to be reckoned

with. From the first, the industrial worker had a grievance against the industrial system. It condemned him to live in an insanitary house amid squalid surroundings, forced him to work long hours for low wages, and exposed him to unemployment through the progress of machinery which made his labour redundant, or through industrial depressions which brought the new machinery to a standstill. The daily sight of other classes living in security and comfort sharpened his animosity, and kept alive in his heart a sullen resentment against society.

For more than a century, efforts have been made by State legislation or by private philanthropy to remove the workman's grievances and reconcile him to his subordinate position in the social and economic hierarchy. His housing conditions have been improved; his hours have been shortened; his standard of life has been raised; the rigours of unemployment have been tempered by State schemes of social insurance; profit-sharing and co-partnership have paved the way for industrial democracy. But at no time has the proletarian become resigned to his lot. Every improvement in his condition seems merely to have made his dissatisfaction more acute. Sometimes his discontent has found expression in revolutionary outbreaks like the Luddite Riots (1812) or the Chartist rebellions (1839 and 1842). Sometimes it has shown itself in the steady pressure of trade union action, seeking to improve the wage contract. Sometimes it has taken the direction of political activity, issuing in the formation of labour and socialist parties. In all these different ways, the proletarian makes his protest against the existing order. The deep fissure in society created by the Industrial Revolution still yawns wide. Nothing so far has availed to remove the social disharmony and class-antagonism which are the bitter fruits of industrialism.

FURTHER READING.—Fong, *Triumph of the Factory System in England*; Hobson, *Evolution of Modern Capitalism*; Macrosty, *Trusts and the State*; Levy, *Monopolies, Cartells and Trusts in British Industry*; A. G. Ogilvie (edited), *Great Britain, Essays in Regional Geography*; Hammond, *The Skilled Labourer*; *The Town Labourer*; G. D. H. Cole, *Short History of the British Working Class Movement*; and the books mentioned at the end of the previous chapter.

CHAPTER XXIV

THE AGRARIAN REVOLUTION

Agriculture in the New Era.—The Industrial Revolution profoundly altered the position of agriculture in the national economy. For centuries, the overwhelming majority of the British people had been employed on the land. Now not only did agriculture become less important than industry; it ultimately became less important than some particular branches of industry. Throughout the nineteenth century, it is true, farming maintained the first place among industry groups, measured by the numbers employed. But after the War, it ranked below metallurgy and only a little above mining and textiles.[1] When, in 1907, the first Census of Production permitted a comparison between the agricultural and the industrial output of the kingdom, the value of the produce raised on British farms was £196,347,000, compared with a gross industrial output of £1,765,366,000. During the later nineteenth century, Britain became definitely a food-importing country. At present, less than 40 per cent. of her food supplies are raised at home, and in the case of an important cereal like wheat, more than four-fifths of her consumption is supplied from abroad.[2]

This decline in the relative importance of agriculture was due to no lack of energy or enterprise on the part of British farmers. Britain is one of the most scientifically farmed countries in the world. Elsewhere agriculture has tended to lag behind industry in organization and technique. The unit of production has remained small, the methods of

[1] Percentage of active population engaged in (1921): Metallurgy, 12·87; Mining, 6·74; Agriculture, 6·75; Textiles, 6·68.

[2] Russell, *The Farm and the Nation*, 1933, pp. 15 and 17.

cultivation, superannuated; omniculture is the general practice; specialization and large-scale output are rare. In Britain, on the other hand, agriculture in the eighteenth and nineteenth centuries went through a revolution analogous in many points to the contemporary revolution in industry. Corresponding to the mechanical inventions, there was a notable advance in agricultural technique; while the displacement of the workshop by the factory had a parallel in the substitution of the large farm for the small holding. When in the later nineteenth century British farmers began to specialize in certain branches of agricultural production, another feature was added to complete the resemblance between industry and agriculture.

The Revolution in Technique.—For nearly a thousand years, no material change had taken place in the methods by which the soil was cultivated. The prevailing system was still the two-field or the three-field system, the great drawback of which was the large proportion of land that had to be left uncultivated every year. This was a consequence of the fallowing process. The importance of the technical revolution of the eighteenth century consisted in the discovery of a method by which fallowing could be dispensed with.

The problem was solved by the introduction of new crops, artificial grasses and winter roots. Artificial grasses, e.g. clover and rye-grass, are so called because they are deliberately sown from seed, in contrast with natural grass which grows wild. They have the great advantage that they derive most of their nourishment from the air and not from the earth. At their roots are tiny nodules packed with living bacteria which absorb nitrogen from the atmosphere, and the decay of these roots, after the crop is reaped, enriches the soil with an essential element of plant growth. When an artificial grass was substituted for the fallow-shift in the traditional rotation, the land enjoyed a rest and at the same time produced a useful crop. The function of winter roots, e.g. turnips, swedes, mangels, &c., is slightly different. They are cleaning crops. At regular intervals, every field must get a thorough cleansing from weeds. Formerly this was done by repeatedly ploughing the ground during the fallow period. But winter roots can be sown in rows or

drills, and this enables the field to be cleaned by horse-hoes and other mechanical contrivances, while the crop is growing. It will be obvious how artificial grasses and winter roots together made possible the omission of the fallow period. Instead of the old three-shift rotation, (1) wheat, (2) oats or barley, (3) fallow, a four-course rotation, known as the Norfolk rotation, was substituted, viz., (1) wheat, (2) turnips, (3) oats or barley, (4) clover or rye-grass. More elaborate and complicated rotations have since been devised, but they all rest on the same principle, the alternation of cereal crops with artificial grasses and winter roots.

The abolition of fallowing did not exhaust the advantages of the new husbandry. Hitherto, farmers had been hampered in their efforts to rear animals by the scarcity of fodder, especially of winter-fodder. This deficiency was now supplied by the fields covered with clover and turnips, and the winter roots coming to fruition in the season when animal food was scarcest, rendered unnecessary the annual massacre of surplus beasts, which took place on every farm at the end of summer. An enormous improvement in animal breeding followed, which in its turn had beneficial reactions on cereal-growing. The larger supply of natural manure, which the farmer now had at his disposal, enabled him to get higher yields from his arable ground. Indeed, it was found advantageous to restrict the amount of land under cereals and enlarge the proportion devoted to raising food for animals, because the augmented supply of manure thus obtained, permitted a greater gross yield to be obtained from the diminished arable area. Both in cereal-growing and in animal-breeding, the new husbandry was unquestionably superior to the old.

In the discovery and application of the new methods, English farmers and improvers were pioneers. Jethro Tull (1674–1741), a barrister turned gentleman farmer, invented drill-sowing, deep ploughing and machine-hoeing. Viscount Townshend (1674–1738) popularized the use of winter-roots with such enthusiasm as to earn the nickname of ' Turnip Townshend '. Robert Bakewell (1723–95) was a scientific animal-breeder, who studied the art of fattening beasts and during his lifetime doubled the average weight of the chief

breeds of sheep and cattle. William Coke, first Earl of Leicester (1752–1842), gave ocular demonstration on his Norfolk estate of the superiority of the new husbandry; and Arthur Young (1741–1820), an indefatigable tourist and a man of letters with a taste for farming, published its merits far and wide with his pen. In Scotland, Sir John Sinclair (1754–1835) was an energetic propagandist of better farming methods. In 1793, he became President (with Arthur Young as Secretary) of the newly founded Board of Agriculture, a State-subsidized institution, which during the thirty years of its existence did much to spread a knowledge of the new agricultural technique among British farmers.

During the nineteenth century, agricultural progress took three directions mainly: better drainage, the increasing use of agricultural machinery, and the introduction of artificial manures. Drainage is necessary to carry off surplus water from the soil, which, if left, will stagnate and rot the roots of the crops. A method of underground drainage was invented in 1764 by Joseph Elkington, but was superseded in 1835 by the greatly superior system of the Scotsman, Smith of Deanston. The use of cylindrical tiles for underground drains came in a little later when the progress of machinery had cheapened their manufacture. The application of machinery to agriculture, the invention of such contrivances as the mechanical string binder, the steam tractor and the electrical plough, has economized the labour used on the farm, but has not solved the problem of how to increase the yield of the soil. This has been the task of the agricultural chemist. In 1840, the German Liebig published his epoch-making *Chemistry in its Application to Agriculture*, which proved that the four main elements of plant life were nitrogen, phosphorus, potassium and lime. Armed with this knowledge, agricultural chemists could now manufacture artificial fertilizers, which redeposited in the soil the elements that crops took from it. The first successful factory for the making of chemical manures in England was founded by a young landowner, Lawes, who also established a famous experimental farm at Rothamsted in Hertfordshire. Since then, the production of artificial manures has grown into an important industry, and the remarkable achievements of

agricultural chemistry have relegated to a remote future the danger of a world shortage of food.

By the third quarter of the nineteenth century, British farming had reached a high level of technical perfection and was, in the opinion of a competent foreign observer, 70 years ahead of the agriculture of France.[1] Within the next few decades, it gave further proofs of its vitality and adaptability. The establishment of free trade in corn, combined with the great cheapening of ocean freights in the later nineteenth century, exposed British farmers to rude competition from the virgin soils of the New World. The price of cereals fell, and the whole agricultural community was plunged into acute distress. Farmers went bankrupt; rents had to be reduced; land went out of cultivation. The situation was serious, but it was faced with courage and resource. Specialization offered the most hopeful way of escape, and gradually this remedy was applied. Cereal-growing was given up, except on soils specially suited for it, and attention was concentrated on the production of prime beef and dairy produce, which, from the nature of things, were not exposed to foreign competition. The experiment succeeded. The transition period was a trying one, but the process of adjustment once accomplished (in the eighteen-nineties), British agriculture entered on a period of solid if not brilliant prosperity. The change in the character of British farming during the later nineteenth century is shown in the following figures:

	Arable	Permanent Grass	Imports of Wheat
1870 .	23,905,000 acres	23,416,000 acres	8,611,000 quarters
1895 .	19,957,000 „	27,799,000 „	25,028,000 „

During the Great War, there was a reversion to cereal-growing, but this was merely a temporary phase. Since 1932, however, the payment of a government subsidy on native wheat seems to have imposed a slight check on the steady drift towards pasture farming.

The Second Enclosure Movement.—On its social side, the agrarian revolution completed the destruction of the ancient village community and substituted individual farming for the old system of co-operative husbandry. In the early

[1] Lavergne, *Économie Rurale de la France*, 1860, p. 58.

eighteenth century, the manor, in the altered form in which we last saw it (p. 69), still covered a large part of England; but the obstacles which its scattered holdings and routine system of cultivation offered to agricultural progress had marked it out for destruction by the agricultural improvers. This was the motive of the second Enclosure Movement. In their object and method, eighteenth-century enclosures differed from those of the sixteenth century. The object was the improvement of arable farming, not the conversion of ploughed land into pasture, and the method was by legal enactment. On the petition of the landowners of a parish, Parliament passed a Private Enclosure Act, and commissioners were appointed to make a complete redivision and redistribution of the common fields and the waste, giving each owner a consolidated holding in place of his former scattered strips. From the technical point of view, this was a beneficial reform, but the social effects of the change were unfortunate. It tended to eliminate the small landowner, who had during the last century been such an important and interesting figure in English rural society. Sometimes the commissioners treated the small man unfairly in the redistribution of the land. But even when he had no unjust treatment to complain of, he found himself worse off after enclosure than before. He was saddled with his share of the legal expenses of enclosure; he had to meet the heavy cost of fencing his new holding; and worst of all, the loss of his common pasture rights put him at a serious disadvantage, since he could not raise so many beasts on his small farm as when he was allowed to pasture his animals on the waste. This not only limited his capacity to produce fresh meat, but, through the reduction of his supplies of manure, diminished the yield of his cereal crops. Small owners who were wise sold out and took their capital into industry. Those who remained had to fight a steadily losing battle against an unfavourable economic environment. The high corn prices of the Napoleonic period afforded the small cultivator a respite, but the abolition of agricultural protection in 1846 deprived him of his last prop. During the later nineteenth century, the concentration of landed property in England reached its highest point. According to the somewhat unsatisfactory

statistics of the New Domesday Book (1876), a quarter of the soil was owned by 1,200 persons and a half by 7,400. Nevertheless, the small cultivating owner class has not entirely disappeared. In 1896, the Board of Agriculture reported that there were 66,700 ' yeoman ' farmers, cultivating about 14 per cent. of the total area. Since the War, when high prices tempted many farmers to purchase their farms, the number of cultivating owners has considerably increased. It is now estimated that in England, 37 per cent. of agricultural holdings, in Scotland, 20 per cent., are owner-cultivated. Between a fifth and a fourth of the total area is in the hands of small proprietors who farm their own land.[1]

The fate of the small landowner was shared by the small tenant farmer. In the eighteenth century, agricultural opinion was overwhelmingly in favour of the large farm. ' Great farms ', wrote Arthur Young, ' have been the soul of the Norfolk culture ; split them into tenures of an hundred pounds a year, you will find nothing but beggars and weeds in the whole county.' [2] This is still the view of most English agricultural experts, and though there is much to be said for it, it ought perhaps to be remembered that on the Continent, agricultural opinion is almost equally unanimous in favour of the small farm. It is, however, with the social effects of large holdings that we are here immediately concerned. The estate policy of eighteenth-century landlords severed the connexion which a large proportion of the English population had hitherto had with the soil. Small tenants, cottagers, and squatters on the waste were cleared off to make way for large capitalist farmers. The social results were distressing. The dispossessed peasants, if they did not migrate to the towns, had no alternative but to join the class of landless agricultural labourers, which now came to include the bulk of the agricultural population. Almost alone among European countries, England found herself saddled with a rural proletariat. This is often described as the price she had to pay for agricultural improvement. It would be more accurate

[1] In many cases, however, the ownership is purely nominal, the holding being heavily mortgaged.

[2] Quoted in Bland, Brown and Tawney, *Select Documents in Economic History*, p. 531.

to say it was the price she chose to pay. There was nothing inevitable about the transition to large-scale farming. The abolition of scattered holdings was indeed a necessity, but the decision that the consolidated farms should be large and not small was due to deliberate choice, and the recent attempts by the State to replant small holders on the land would seem to imply that the policy followed in the eighteenth century was not altogether a wise one.

The following table [1] gives some idea of the progress of the Enclosure Movement:

	Acts	Acreage
1700–1760 . .	208	312,363
1761–1801 . .	2,000	3,180,871
1802–1844 . .	1,883	2,549,345
1845 and after .	672 (awards)	522,227
	4,763	6,564,806

During the eighteenth century, landowners were chiefly occupied with the destruction of the old English village. In the nineteenth century, they turned their attention to the large tracts of waste ground still to be found scattered up and down the country, like the Egdon Heath of Hardy's novel.[2] These were rapidly brought under individual ownership. The extension of the cultivated area was an undoubted improvement, but the community suffered through the loss of opportunities of exercise and recreation, while in many cases squatters and small cultivators were deprived of privileges that they had enjoyed for generations. Parliament, a Parliament of landowners, offered no opposition to the movement. A General Enclosure Act of 1801 simplified procedure, and a later statute of 1836 did away with the necessity for a private Act of Parliament. As the century wore on, however, the activities of enclosing landlords met with resistance. The Commons Preservation Society came into existence, and the new attitude of public opinion was reflected in legislation. The General Enclosure Act of 1845 ordered a certain proportion of enclosed land to be set aside for allotments and for public recreation, and similar provisions were inserted in

[1] See Johnson, *Disappearance of the Small Landowner*, p. 90.
[2] *The Return of the Native.*

subsequent statutes of 1876 and 1899. This legislation saved many valuable open spaces for the community, but it could not restore the old English communal village. That was gone for ever. Its very memory had faded from the recollection of men.

Within recent years, attempts have been made, though with no great success, to re-establish a rural democracy in England. The Small Holdings Acts of 1892 and 1908 authorized County Councils to acquire land and to sell or let it to small farmers. The first Act was an abject failure, but under the second, 18,000 holdings were created up to 1914. Then after the War, about 17,000 demobilized soldiers were settled on the land. A third Small Holdings Act was passed in 1926, but the movement had slackened off considerably by then. A puzzling feature is that despite numerous new creations, the number of small holders does not increase. Between 1919 and 1930, holdings under 50 acres decreased in England and Scotland by 17,484. This figure by itself, it is said,[1] must not be taken as proof that the small holdings movement has failed, yet it is difficult to interpret it in any other way. At any rate, it can hardly be maintained in face of it that much progress has been made in the democratization of British agriculture.

The Scottish Clearances.—In the Scottish Lowlands, agricultural development took much the same course as in England. An enclosure movement in the English sense did not take place, but that was simply because there were so few small landowners in Scotland, that resort to the provisions of the 1695 Runrig Act was seldom required. There was, however, the same tendency to the consolidation and enlargement of farms, the necessary changes being carried out by the landlords as part of their estate policy and leaving little trace in public records. The abolition of runrig was followed by a rapid improvement in agricultural technique. Lowland farmers were quick to assimilate the Tullian husbandry, and the Lothians and Berwickshire soon became one of the most highly farmed districts in the world. Cobbett, who visited it in 1832, was struck by the large up-to-date farms he found

[1] See the remarks in *Agricultural Output of England and Wales*, 1925, Cmd. 2815, p. 83.

there ; ' factories ', he described them, ' for making corn and meat '.[1] In their later development, the chief difference between English and Scottish agriculture is the greater attention paid in Scotland to the rearing of livestock. The difference is made plain in the following table :

	Percentage of Agricultural Output	England	Scotland
1925.	Livestock	68·6	79·5
	Farm Crops	20·5	18·9
	Fruit, Vegetables, &c. . .	10·9	1·6

In the Highlands, the revolution caused by the adoption of modern agricultural methods was much more drastic. Hitherto, this vast unfertile region had been almost completely cut off from the rest of Scotland. Its inhabitants were divided by blood, language and social habits from the anglicized dwellers in the Lowlands. The Highlanders preserved much of the ancient Celtic polity. They were organized in tribes, the humblest member of which claimed kinship with the chief. Their economic arrangements were primitive. The tribal land was let out to the more important clansmen, the tacksmen, who in turn sublet it to the inferior members of the tribe. A little agriculture and cattle-rearing were practised, but the population of the Highlands was too large for its soil to maintain, and the impoverished Gaels had to supplement their resources by periodic raids on the Lowland country. These predatory habits were a necessity of their existence. As Buckle put it, they ' flourished by rapine and traded in anarchy '.[2]

Exposed to the influences of modern civilization, this primitive, warlike society collapsed with startling suddenness. After the Forty-five rebellion, the Highlands were speedily reduced to obedience. Roads were built into the heart of the mountains, and garrisons, at strategic points, held down the country. The clansmen were disarmed ; the wearing of their traditional dress was forbidden ; and their tribal organization was broken up. So swiftly did the old Celtic society dissolve that Dr. Johnson, when he visited the Highlands in 1773, could scarcely discern a trace of it. The chiefs had changed

[1] *Tour in Scotland*, 1833, p. 104.
[2] *History of Civilization*, Vol. III, p. 152.

from 'patriarchal rulers' to 'rapacious landlords'. The simple ties that bound them to their clansmen were replaced by a cash-nexus, and a large rent-roll became preferable to the command of a band of warriors. In their desire to obtain the highest pecuniary return from their estates, the former tribal chiefs showed small consideraton for the welfare of their tenants. In the later eighteenth century, the profitableness of sheep-farming was discovered, and whole communities were mercilessly evicted to make room for the 'four-footed people'. The most notorious of the many clearances were those which took place in Sutherlandshire in 1811–20 when 15,000 people were deported from their inland farms to fishing settlements on the coast—a high-handed action which called forth indignant protests from native writers like Hugh Miller and foreign observers like the economist, Sismondi.[1] In the later nineteenth century, the profitableness of sheep-farming declined, owing to the competition of overseas wool, but a new use was found for the deserted sheep-runs. They were turned into deer forests and let to rich shooting tenants from the south. The evicted tenants had to migrate to the industrial towns of the Lowlands or seek refuge across the Atlantic.

In course of time, public opinion became deeply stirred by this wholesale expulsion of an ancient race from its native seats,[2] and Parliament was compelled to take action. A Crofters' Holdings Act was passed in 1886, which conferred on small tenants in 7 northern counties,[3] security of tenure, the right to compensation for improvements, and fair rents, to be fixed by a land court, known as the Crofters' Commission. The Commission immediately made a substantial reduction in rents and cancelled a large amount of arrears. But the condition of the crofting population remained precarious. The average holding was too small and yet certain crofting areas were overcrowded. To relieve the

[1] Hugh Miller, *Leading Articles on Various Subjects*, p. 388 *seq.*; Sismondi, *Études sur l'Économie Politique*, Vol. II, pp. 203–38.

[2] See, for example, Professor J. S. Blackie's *The Scottish Highlanders and the Land Laws*, 1885.

[3] Argyll, Caithness, Inverness, Ross and Cromarty, Sutherland, Orkney and Shetland.

situation, a Congested Districts Board was created in 1897 with powers to enlarge holdings and to promote migration from over-populated districts. In 1912, this work was taken over by the new Board of Agriculture for Scotland, and the Crofters' Commission was merged in the Land Court set up by the Scottish Smallholders Act of 1911. The intervention of the State has checked the eviction movement, but it has not solved the problem of how to make the sparse population of the Highlands self-supporting. Arrears of rent continue to accumulate; migration and emigration keep on thinning the population; and the cost of maintaining essential public services has to be met by subventions from the wealthier districts of the south. The economic outlook for the Highlands is not promising. Perhaps its one hope lies in its water power, which, if utilized to generate electricity, as has already been done at Kinlochleven and elsewhere, may conceivably render this derelict area again capable of supporting a large population.

The Irish Land Question.—The break in corn prices which followed the conclusion of the Napoleonic Wars brought to an end a period of comparative stability in Irish agriculture. Tillage ceased to be profitable and the movement towards pasture-farming set in again with renewed force. Landlords threw small holdings together to form large grazing farms and the tenants were turned adrift. Now to an Irish peasant, eviction meant literally starvation. There was no alternative employment to which he could turn his hand. Until 1838, there was not even a Poor Law to relieve him. Driven off the land, he must emigrate or starve. It is no wonder then that the eviction movement provoked agrarian crime. A crop of secret societies sprang up, bearing picturesque or grotesque names: the Whiteboys, the Rockites, the Ribbonmen, the Terryalts, the Molly Maguires. Their threats and outrages were the one restraint on the evicting activities of the landlords. 'But for the salutary dread of the Whiteboy Association', observed a level-headed contemporary, 'ejectment would desolate Ireland and decimate her population.'[1] And John Stuart Mill permitted himself to say, 'Rockism and

[1] Poulett Scrope, *Letter to Lord Melbourne*, 1834; quoted in O'Brien, *Ireland from the Union to the Famine*, p. 55.

Whiteboyism are the determination of a people, who have nothing that can be called theirs but a daily meal of the lowest description of food, not to submit to being deprived of that for other people's convenience.' [1] The secret societies, however, could only restrain, they could not entirely prevent, evictions, and from the beginning of the nineteenth century a steady stream of Irish emigration began to flow, first to England and Scotland, and then across the Atlantic. The population left behind suffered the last extremity of misery and wretchedness. All visitors to Ireland commented on the appalling destitution of the peasantry. 'Their poverty', wrote Sir Walter Scott, who toured the island in 1825, 'is not exaggerated; it is on the extreme verge of human misery. Their cottages would scarce serve for pig-sties, even in Scotland, and their rags seem the very refuse of a rag-shop.' [2] In his *Irish Sketch Book*, 1842 (p. 341), Thackeray observed, 'The traveller is haunted by the face of the popular starvation. It is not the exception, it is the condition of the people. In this fairest and richest of countries men are suffering and starving by millions.' When, in 1846, the potato crop failed, famine and pestilence devastated a population reduced to the lowest level of subsistence.

All this time, the attitude of English statesmen was one of indifference. In 1845, the Devon Commission laid bare the fatal defects of the Irish land system and suggested sensible remedies. But no proposals for reform could make headway in face of the prevalent doctrine of *laissez-faire*. Private property was regarded as sacred, and the principles of the classical political economy were invoked in support of a policy of inaction. It was in vain that the economists themselves pointed out the uselessness of maintaining the forms of free contract when the reality was absent. In Ireland, land was a practical monopoly, and the treaty between landlord and tenant was like 'the struggle to buy bread in a besieged town or to buy water in an African caravan' (Nassau Senior). The governing classes were impervious to argument. 'Tenant's right', said Lord Palmerston, 'is landlord's wrong', and this flippant epigram was held to settle the question.

[1] *Principles of Political Economy* (edition by Ashley), p. 323.
[2] *Journal*, Vol. I, pp. 1–2.

It was not till Palmerston was removed from the political scene that a statesman was found willing to give serious consideration to the Irish problem. Gladstone, by two Land Acts (1870 and 1881), completely transformed the basis of landholding in Ireland. The first gave an evicted tenant compensation for any improvements he had made on his holding and an additional payment for ' disturbance ', which it was hoped would deter landlords from evicting unnecessarily. The 1881 Act was more drastic. It granted tenants security of tenure, allowed them in certain circumstances to sell their right of occupancy to a third party, and set up a Land Commission to fix fair rents and to revise them every 15 years. These concessions, known as the three F's (fair rents, fixity of tenure, and free sale of tenant right), were extorted from the British Parliament by the formidable agitation of the Land League, a revolutionary association, organized and supported by the Irish Nationalist Party. Dissolved as unconstitutional in 1881, it was revived as the National League, and carried on a furious campaign for a further reduction of rents (rents had already been reduced by the Land Commission about 20 per cent.), to which the government had to yield. In 1887, there was a second reduction, and a third in 1896, when the first 15-years period mentioned in the 1881 Act had expired. Altogether Irish rents fell by about 40 per cent. between 1881 and 1896.

This serious decline in their incomes, as well as the restriction on their property rights imposed by the Land Acts, disposed Irish landlords to consider favourably an alternative method of solving the land problem, namely, land purchase. The expedient of turning the Irish tenant into a peasant proprietor had been advocated by Mill and Bright, and tentative efforts had been made to apply this remedy in the Gladstone Land Acts and in the Ashbourne Land Purchase Act of 1885. It was now adopted as an agreed policy by both landlords and tenants. By the Wyndham Land Purchase Act of 1903, the British Parliament guaranteed the advance of £112 millions to enable Irish peasants to purchase their farms, the advances to be repaid by annuities spread over a lengthy period. Under this Act, more than two-thirds of the soil of Ireland had passed into the hands of former

tenants by the time the Irish Free State was created in 1921. The wrongs of the seventeenth century were at last righted. The land of Ireland was restored to members of the race that had formerly possessed it. But it is doubtful if this will prove a final solution of the Irish agrarian difficulty. A country with a growing population which relies almost entirely on agriculture is bound to suffer from periodic outbreaks of land hunger. One such occurred at the height of the Sinn Fein rebellion in 1920 and nearly wrecked the movement for Irish independence. A recurrence of such episodes may be looked for in the future. It is mainly the larger tenants that have profited by the recent transfer in landed property. As long as the wants of the lower ranks of the rural population remain unsatisfied, it would be premature to conclude that the Irish land system has assumed its final form.[1]

FURTHER READING.—Ernle, *English Farming, Past and Present*; Curtler, *Short History of English Agriculture* and *The Enclosure and Redistribution of Our Land*; Johnson, *Disappearance of the Small Landowner*; Hammond, *The Village Labourer*; Hasbach, *History of the English Agricultural Labourer*; Slater, *English Peasantry and the Enclosure of the Common Fields*; Hamilton, *Industrial Revolution in Scotland*, chaps. ii and iii; Johnston, *History of the Working Classes in Scotland*, chap. viii; Day, *Public Administration in the Highlands and Islands of Scotland*; Chart, *History of Ireland*, chap. v; O'Brien, *Ireland from the Union to the Famine*; Bonn, *Modern Ireland and her Agrarian Problem.*

[1] By the Treaty of 1922, the annuities payable by the new peasant proprietors in Southern Ireland were to be transferred to the British Exchequer which had advanced the money for the purchase of their farms. In 1932, the Eire government withheld the payments. A tariff war followed. In 1938, the British government surrendered all its claims to the land annuities (worth about £3 millions a year, with a capital value of £76 millions) for a single payment of £10 millions.

CHAPTER XXV

THE REVOLUTION IN TRANSPORT

The Importance of Transport.—Throughout all its stages, the course taken by the Industrial Revolution has been determined by improvements in the means of communication. The movement began with the advances in navigation which opened up to European traders the distant markets of Asia, Africa and America. It was carried on by developments in road and inland water transport, which enabled domestic markets to be exploited more thoroughly. It reached its latest stage with the railway and the steamship, which annihilated space, opened up the inaccessible interiors of continents, and established regular communication between the most distant parts of the earth. The influence of transport is not exhausted. The automobile and the aeroplane contain within them the seeds of future developments, which will doubtless become visible in the next generation or two. Every improvement in communication widens the market, augments the circulation of goods, and carries international division of labour to a further stage. It was the development of transport facilities that made a world economy possible, and it is their continual improvement that keeps the world economy in being, in face of the many disruptive agencies that threaten to destroy it. The centripetal influence of transport helps to counteract the centrifugal forces of political and economic nationalism. On the issue of the contest between these two tendencies, the future of modern civilization largely depends.

Roads.—In the eighteenth century, the British roadways were in a desperate condition. Swimming in mud and pitted with holes, they were quite unsuited for wheeled traffic. To secure dry foundations, roads were often built along slopes

or conducted over rising ground, which added heavy gradients to the other difficulties encountered by the traveller. In these circumstances, most travelling was done on horseback, and the transport of goods was accomplished by the same method. The merchant of the time travelled with a long string of pack-animals behind him, like an Eastern caravan. Road transport was extravagantly dear. The carriage of a quarter of wheat cost 20*s*. for 100 miles, and the transport of coal 10 miles doubled its price.

The neglect of the roads was due partly to the decay of the art of road-building, which had been almost forgotten since Roman times, partly to a defective system of road administration. A statute of 1555 had made the parish the road authority and imposed on parishioners the duty of maintaining the roads by their personal labour. Every purely local system of road administration is a bad one. Parishes through which main roads ran found themselves saddled with an intolerable burden and relieved themselves of it by a perfunctory discharge of their obligations. In the later seventeenth century, the establishment of the turnpike system brought about a slight improvement. Toll-bars were placed at the end of important stretches of road and tolls were collected from vehicles and mounted passengers. This arrangement had at least the advantage of providing a fund for road improvement, contributed by the road-users themselves. During the eighteenth century, the turnpike system was greatly extended and over a thousand turnpike trusts were created. Coincident with this development, there was a revival of the art of road-building. Telford (1757–1834) and Macadam (1756–1836), two Scots engineers, completely transformed the character of the British roads. Telford relied mainly on the construction of solid foundations and the provision of adequate drainage. Macadam invented the impermeable surface which bears his name. Instead of rounded stones, which were speedily kicked out by the hoofs of the horses, he laid down road ' metal ', broken into small fragments and held together by some binding substance. The surfaces of the roads now became capable of bearing wheeled traffic and the brief but romantic era of the stage-coach set in. The rate of travelling was enormously accelerated. Between London and Edinburgh the journey was cut down from 14 days to 48 hours.

In the nineteenth century, the system of road administration was greatly improved. The turnpike trusts were gradually got rid of (the last went in 1895), and the Highways Act of 1835 abolished compulsory labour and empowered road authorities to levy rates. The unit of administration was gradually enlarged. After 1889, the county councils took over the care of the main roads, the lesser roads being left in the charge of highway boards, controlling several parishes.[1] In this way, the number of road authorities was cut down from about 16,000 to 2,000. An even more important reform was the establishment in 1910 of a Central Road Fund, derived from motor taxation, from which grants were made to local authorities for road improvement.[2]

During the railway age, the usefulness of the roads greatly declined. They sank into mere feeders for the railways. But with the coming of the automobile, road transport acquired a new importance. Within recent years, remarkable progress has been made in the technical art of road-making. Tar-spraying, reinforced concrete and other devices have provided surfaces capable of bearing an ever-increasing volume of traffic. But our system of road administration still leaves something to be desired. There is need for greater centralization. The great arterial roads of the kingdom at least ought to be taken out of the control of merely local authorities.[3]

Canals.—Before the railway age, land transport could bear no comparison in regard to facility or cheapness with water. England was fortunate in possessing a long coast line and a number of fairly navigable rivers, and this possibly explains why no attempt was made until the eighteenth century to develop inland navigation by artificial waterways. The first canal was opened between Manchester and Worsley in 1761. It was financed by the Duke of Bridgewater (who had coal mines at Worsley) and constructed by Brindley, an untaught genius, who was able by sheer intellectual ability and without any technical training to solve the most intricate problems.

[1] After 1894, the highway districts were made to coincide with the rural sanitary districts, established by the Public Health Act of 1872.

[2] In 1936, the separate Road Fund was abolished, the Exchequer now making grants for road improvement as it sees fit.

[3] In 1937, 4,500 miles of trunk road were taken over by the Ministry of Transport.

Brindley was also responsible for the Trent and Mersey Canal, opened in 1777, which was carried through five tunnels and across two rivers, a superb example of engineering skill. Thereafter, canal-building proceeded apace, and during the years 1791–4 there was a sort of canal mania, which ruined many speculators but left England with a fairly complete system of inland waterways. The movement spread to Scotland and Ireland. The Forth and Clyde Canal (1790) and the Union Canal (1822) proved a valuable link between the eastern and western halves of the Scottish Lowlands, but the State-subsidized Crinan Canal (1810) and the Caledonian Canal (1822) were financial failures and did little to further the economic development of the Highlands. In Ireland, the Grand Canal (1755) and the Royal Canal (1789) connected Dublin with the upper and lower reaches of the Shannon.

When the railways came, inland navigation received a serious set-back. Partly this was due to the policy of the railway companies, who bought up (sometimes under compulsion) about a third of the canal system and left it undeveloped; partly it was the result of the apathy and want of enterprise of the canal directors, who made no attempt to meet the new competition by adapting their waterways to the needs of growing traffic. During the later nineteenth century, the canal system ceased to be of much commercial importance. In 1909, a royal commission reported in favour of nationalizing a great part of it, but the recommendation was not acted upon. Recently, however, there has been a revival of initiative and enterprise among the canal companies. In this connexion, the most interesting event has been the amalgamation of 7 waterways (covering 240 miles between London and Birmingham) into the Grand Union Canal, and the adoption by the new company of an up-to-date policy, involving the deepening of canal-beds, the introduction of new types of craft and the application of mechanical methods of haulage. Already a gratifying increase of traffic has rewarded these efforts. The imitation of such methods by other canal companies would do something to restore water transport to its old popularity and usefulness.

Railways.—The beginning of the railway age in this country

is generally dated from the year 1825, when George Stephenson (1781–1848) ran his little engine, 'Locomotion', on the Stockton-Darlington Railway. The experiment was a technical success, the locomotive attaining a speed of 12 miles per hour, but its consumption of coal was too great to allow it to be used regularly for the haulage of goods, and the directors reverted to their first intention of confining the line to horse-drawn traffic. A few years later, Stephenson reduced the heavy consumption of coal by the use of the tubular boiler, and his next locomotive, the 'Rocket', reached a speed of 35 miles an hour, and won the £500 prize offered by the directors of the Liverpool-Manchester Railway, opened in 1830. The practicability of steam locomotion was now proved beyond dispute, and Great Britain became gradually covered with a network of railway lines. The mileage grew from 6,621 in 1850 to 15,537 in 1870 and to 23,387 in 1910. Over the early stages of this growth, the State exercised little control. Railway projects had to be approved by Parliamentary committees, but these were chiefly concerned to see that landlords received adequate compensation for imaginary damage which they alleged they would suffer from railways running through their estates. No attempt was made to lay out a national railway system. It was left to private enterprise to say which places should be linked up by rail, and the system was allowed to grow up in haphazard and piecemeal fashion. The State even allowed two different gauges to come into use, the narrow gauge (4 feet 8½ inches), favoured by Stephenson, and the broad gauge (7 feet), advocated by Brunel, the engineer who built the Great Western line. In 1846, Parliament declared for the narrow gauge (a somewhat unfortunate choice), but it was 1892 before the broad gauge was completely eliminated from the British railway system.[1] One valuable service Parliament did render and that was to secure a little justice for the third-class passenger. An Act of 1844 made it compulsory to run one train daily on each route in both directions at a fare of a penny a mile. Hitherto, the companies had despised the third-class passenger. They carried him in open trucks and forbade porters to handle his luggage.

[1] Most of the Irish railways were built on a 5 feet 3 inch gauge.

But the action of the government opened their eyes to the value of the revenue that might be derived from this source, and gradually third-class accommodation was improved. In 1875, the Midland Company abolished its second-class carriages and made the third-class as good as the old second. Most of the other companies followed this example.

Meanwhile, an amalgamation movement had set in, steadily reducing the number of railway companies and building up great systems like the Midland, the London and North-Western, and the Great Northern.[1] Parliament allowed this tendency to proceed unchecked, provided no attempt was made to unite competing lines. In 1853, it prohibited a fusion between two systems, the Midland and the London and North-Western, on the ground that it would create a monopoly. In no sphere, however, does combination offer greater advantages than in transport, and Parliament could not stop the railways drawing together by informal agreements, traffic pools and rate conferences. Eventually, the State had to turn a blind eye to this movement and content itself with trying to give railway-users some protection against exploitation. In 1888, the Railway Commission, a body originally set up in 1873, received authority to fix rates and fares. Six years later, Parliament converted the ruling rates into maxima, and imposed on the companies the necessity of justifying any increase before the Commission by proving a rise in the cost of service. The difficulty of raising rates and fares added to the embarrassments of the railways and stimulated amalgamations as a means of achieving economies. In 1921, this movement reached its climax, when the government, on handing the railways back to private enterprise after the War, took the opportunity to divide the British railway system among four great companies, the London and North-Eastern, the London, Midland and Scottish, the Southern, and the Great Western, assigning to each as far as practicable a distinct geographical area.[2]

[1] The Great Western was not built up out of amalgamations. It was laid out as a single system from the first.

[2] About 5 per cent. of the railway mileage still remains under the control of 90 small independent companies. The railways of the Irish Free State were brought under a single control in 1925, when the Great Southern Railway Company was created.

The Railway Rates Tribunal took over most of the functions of the old Railway Commission. It was given powers to fix such rates and fares as would enable the companies to earn a standard revenue, i.e. a revenue equivalent to what they were earning in 1913.

Steam Navigation.—The steamship came rather earlier than the railway locomotive. In 1788, William Symington experimented with a little steamer on Dalswinton Loch in Dumfriesshire, and 15 years later he launched a larger vessel, the *Charlotte Dundas*, on the Forth and Clyde Canal. Bell followed with his *Comet*, which ventured out of inland waters to the open sea. Thereafter the progress of steam navigation was rapid. The Dover–Calais steam service was inaugurated in 1818, and in the following year a steamship, the *Savannah*, crossed the Atlantic, though all the voyage was not performed under steam. At this time and for long after, every steam ship carried sails for use in emergency. The first ship to cross the Atlantic by steam alone was the Canadian *Royal William* in 1833. About 1840, the screw began to displace the paddle, and a little later, iron and then steel were substituted for wood in the construction of ships.

The sailing-vessel, however, put up a stout fight against steam navigation. The early steamers were handicapped by a fuel problem. For long voyages so much space was required for coal that little room was left for cargo. The establishment of coaling-stations on the chief routes only partially solved this difficulty. For long-distance trade the 'wind-jammers' retained the advantage. About 1850, a new and superior type of sailing-vessel was put on the seas. This was the clipper, which with its long keel, narrow decks and crowded sails, attained amazing rates of speed. The clippers were used in the China and Australia trades, and the race home with the first of the tea-crop or the wool-clip was an exciting annual event. The record for the China voyage was established in 1869 by the *Sir Lancelot*, which did the run from Foochow to London in 90 days. No steamship of the period could have equalled that achievement.

In the later nineteenth century, the progress of marine engineering removed the handicap which had retarded the development of steam navigation. The compound engine

and the turbine reduced the consumption of coal and lengthened the voyage which a steamship could undertake. The sailing-vessel began to lose ground. Still greater economies in fuel-space were achieved by the use of oil, especially after the invention of the Diesel engine in 1892. In 1911, the first motor ship crossed the Atlantic. The relative dearness of oil has kept it from superseding coal as fuel for marine engines, but the number of motor ships is always on the increase. In 1930, for the first time, the tonnage of motor ships constructed in British shipyards exceeded that of steamships. The following table indicates the present distribution of British shipping among the three kinds of power:

REGISTERED BRITISH SHIPPING, 1938

Steamships	7,441	Gross tonnage	13,572,000
Motor ships	5,789	,, ,,	4,166,000
Sailing-vessels	4,019	,, ,,	426,000

The progress of steam navigation permitted regularity and punctuality to be introduced into sea voyages in a way that was not possible before. Lines of steamers began to ply over the principal routes according to time-table. This development encouraged the concentration of capital in the shipping industry, and large companies were formed like the Peninsular and Oriental (1837), the Cunard (1839), the Union (1853), the White Star (1869), the Castle (1872), &c. Towards the close of the nineteenth century, most of these companies tended to draw together, and by 'conferences' succeeded in raising freights over the more important routes. But alongside the gigantic liner owned by the great shipping company is the little 'tramp' steamer which flits about from port to port, picking up a cargo where it can find one. About 40 per cent. of the world's shipping consists of 'tramps', and this has acted as a check on the price-fixing powers of the great companies. Since the slump of 1929, the general shrinkage in world trade has brought about a catastrophic fall in shipping freights.

Road Transport.—The first attempts to put mechanically driven vehicles on the roads were made more than a hundred years ago. The earliest steam locomotives were intended as

road engines. During the period 1820–40, numerous models were produced and regular lines of steam carriages were run between London and Brighton (1831), Gloucester and Cheltenham (1831), Glasgow and Paisley (1834) and many other places. A fleet of steam buses even ran for a number of years on the streets of London. But the hostility of rival interests like the stage-coaches and the railways, and the unfriendly attitude of the turnpike trusts which imposed exorbitant tolls on the new mode of transport, brought this interesting experiment to an end.

The next attempt to use the roads for power-driven vehicles (apart from the clumsy traction engine) was made with the electric tramway. Developed first in the United States and Germany, it was tried in Leeds in 1891 and soon spread to other towns. But electric traction is hampered by its want of flexibility. The necessity for a rail track ties it down to definite routes and hinders its adaptation to the needs of shifting populations. It has remained a form of municipal transport mainly. The recent phenomenal development of road transport owes most to oil-driven vehicles.

The earliest attempts to use the internal-combustion engine for purposes of locomotion were made by Lenoir, who employed gas as the fuel. But petrol was found more convenient. Most of the pioneer work with the automobile was done abroad, by Daimler in Germany, Narkus in Austria, and Panhard in France. In this country, progress was hindered by obsolete legislation (intended for the traction engine) which made it necessary for a man with a red flag to precede a mechanically propelled vehicle on the roads. This absurd restriction was abolished in 1896, but it was not until the Motor Act of 1903 that the legal obstacles to the new form of transport were swept away. In 1895, the first British car was produced by Lanchester, and in the same year Austin designed a model which was manufactured by the Wolseley Company. This was the beginning of the prosperous British motor industry, which has settled mainly in Birmingham and Coventry, London, Lancashire, Oxfordshire and the south-eastern counties.

Since the War, the progress of motor transport in this country has been incredibly rapid. The number of motor

vehicles on the roads increased from 975,783 in 1922 to 2,213,012 in 1932. During the same space of time, the number of horse-drawn vehicles diminished from 232,865 to 32,981. The railway companies have been hard hit by the competition of road transport and they have been driven to apply for powers themselves to operate road services. These were granted by Parliament, after repeated demands, in 1928, and have largely been taken advantage of in regard to goods traffic. With regard to passengers, the railways have entered into working agreements with a number of large bus companies.[1]

Air Transport.—The conquest of the air is an achievement of the present generation. Petrol and the internal-combustion engine made the aeroplane possible, and in the opening years of the twentieth century, practicable machines were constructed by the Wright Brothers in America and by Farman in France. In 1909, Blériot flew across the English Channel. The first Atlantic flight was made by Alcock and Brown in 1919. Meanwhile, experiments were being made with dirigible balloons, and as early as 1900 the airship invented by Count Zeppelin and called by his name was making successful flights. Since the War, commercial aviation has made remarkable progress. In 1920, there were five passenger air-services between France and England, and since then most of the important capitals of Europe have been linked up by air. In Britain, the chief air company is Imperial Airways Ltd., formed in 1926. The following table gives some indication of the recent progress of British aviation:

	Mileage flown	Passengers	Goods
1920 . . .	644,000	5,799	137 tons
1932 . . .	2,090,000	56,683	777 ,,
1938 . . .	14,331,000	222,200	5,980 ,,

The small quantity of goods carried is noticeable. The aeroplane is too small and requires too much space for fuel to serve as an efficient carrier of goods. The airship is better adapted for this purpose, but difficulties in connexion with its navigation (of which the disaster that overtook in 1930 the famous R 101 was a vivid reminder) will probably prevent it for a long time from supplanting the steamship and the rail-

[1] See Fenelon, *Transport Co-ordination,* chap. vi.

way in the carriage of goods. Air transport will one day no doubt revolutionize commerce, but not until some intricate technical problems connected with it have been solved.

In conclusion, it should be observed that the development of postal facilities, the growth of the public Press, the invention of the electric telegraph and the telephone, the laying of submarine cables, and the spread of wireless have all co-operated with improvements in transport in making the world a smaller place than it was to our grandfathers and have helped to promote the important commercial developments to be described in the next chapter.

FURTHER READING.—Sherrington, *A Hundred Years of Inland Transport*; Jackman, *Development of Transportation in Modern England*; Pratt, *History of Inland Transport in England*; Kirkaldy and Evans, *History and Economics of Transport*; Webb, *Story of the King's Highway*; Fenelon, *Economics of Road Transport*; Anderson, *The Roads of England*; Pratt, *Canals and Traders*; Cleveland-Stevens, *English Railways*; Sherrington, *Economics of Rail Transport in Britain.*

CHAPTER XXVI

THE REVOLUTION IN COMMERCE

Modern Commercial Tendencies.—The commercial evolution of the last hundred and fifty years shows three main tendencies at work, similar to those we have already observed operating in industry, namely, *expansion*, *specialization*, and *reintegration*. The expansion of commerce can be illustrated in many ways: by the increasing volume of commercial transactions, by the growing proportion (now nearly a fifth) of the active population engaged in the exchange and transport of goods,[1] by the widening of the market for articles of common consumption, by the extension of foreign trade and the increasing range and variety of the commodities that enter into it. Commercial specialization is illustrated by the clear-cut distinction which has arisen between wholesale and retail trading, a distinction which in earlier days was somewhat blurred, where it existed at all, by the tendency of the general merchant to give place to the specialist in particular lines, and by the appearance of a great army of commercial functionaries, brokers, commission agents and commercial travellers, each of whom devotes himself exclusively to some single branch of the great business of buying and selling goods. Finally, reintegration shows itself in the growing tendency of commerce and industry to draw together again, the manufacturer taking over the work of wholesaling and retailing, or the merchant reaching back to control the earlier processes of manufacture.

These developments have been accompanied by important changes in the institutions and agencies through which commercial transactions are carried on. The local weekly

[1] Carr-Saunders and Jones, *Social Structure of England and Wales*, p. 49.

market, where producers and consumers come into direct contact, has almost completely disappeared. Retail trading is now conducted through shops, where buying and selling are continuous, not periodic as in the old markets. Similarly, wholesale trading has found new channels. The old-fashioned annual or bi-annual fairs have died out or else changed their character. The last to function in the old way was Stourbridge Fair in Cambridgeshire, described by Defoe in his *Tour through the Eastern Counties*, 1722. After the eighteenth century, such fairs as survived had either degenerated into centres of amusement or become industrial exhibitions, like the fairs at Leipzig and Lyons, or the British Industries Fair at London and Birmingham. Meanwhile, commerce had evolved fresh institutions to meet its needs, prominent among which was the produce exchange.

Produce Exchanges.—Like the old-fashioned fair, the produce exchange is a meeting of dealers, but instead of being held at distant intervals, it functions practically the whole year round. Another difference is that the goods dealt in are not physically present. They are sold by sample or description. The commodities traded in on exchanges are generally raw materials or foodstuffs, which lend themselves easily to grading and description; which are sufficiently durable to allow stocks to be carried for long periods; and of which the supply cannot be rapidly adjusted to the demand, as in the case of manufactured articles. Wheat is a case in point. In London, there are two old corn markets, dating from the eighteenth century, the Baltic and the Mark Lane Exchanges. At the Baltic, wheat cargoes are bought up by jobbers and wholesalers, who sell them in small lots to merchants and millers at the Mark Lane Exchange. The wheat is sold by description. The grading is carried out by a committee of the London Corn Trade Association. Different categories of wheat are distinguished by their colour (red or white), their weight per bushel, the degree of moisture they contain, the percentage of impurities present, &c. This official description enables grain to be sold by 'warrants' (a practice which dates back to the eighteenth century), a 'warrant' being a receipt for no particular lot of grain but for a fixed amount of a particular grade.

Commodities like grain may be sold ' spot ', for immediate delivery, or ' forward ', for delivery at some future date. Dealings in ' futures ' have developed enormously during the last sixty or seventy years. A ' futures ' transaction partakes partly of the nature of a speculation, partly of an insurance contract. An example will make this clear. Suppose a miller has to deliver a certain amount of flour weekly over a long period. He does not wish his calculations to be upset by some unforeseen rise in the price of grain. Accordingly he buys a ' future ' or a series of ' futures ', entitling him to the delivery of a certain quantity of grain at a prescribed date or dates and at a fixed price. He can now go ahead and fulfil his contracts, knowing that he is insured against any sudden rise in the price of grain. What makes the transaction puzzling to an outsider is that the seller of the ' futures ' has no grain in his possession nor does he deliver any grain when the agreed date comes round. He merely pays the miller the difference, if the current price has risen above the agreed price. If it has fallen below it, then the miller pays the difference to him. On the miller's side, this is a pure insurance transaction, with a somewhat complicated method of calculating the premium. On the dealer's side, an element of speculation undoubtedly enters in, but not greater, it may be said, than is present in most insurance transactions. Dealings in ' futures ', though liable on occasion to abuse, render an important service to the business community. They localize risks and relieve the great mass of producers and middlemen from the losses due to fluctuations in prices.

Some commodities, though suitable in other respects for dealings on exchanges, have yet too little uniformity to allow them to be sold by description. They are most conveniently disposed of by auction. Wool is an example. Not only does every producing area have its own breed of sheep, but amongst the same breed, soil and climate produce differences in the wool, while in each fleece the wool is not always of the same quality throughout. Such a commodity can only be sold by sample or after inspection. In this country, most of the imported wool is auctioned at the London Wool Exchange in Coleman Street. Wool cargoes, when discharged, are housed in special warehouses maintained by the Port

of London Authority or by private firms, and there the wool can be inspected and samples taken. The auctioning is done by brokers who receive a commission from both buyers and sellers. About ten broking firms transact the greater part of this business.

Other important exchanges which deserve a brief mention are the Liverpool and Manchester Cotton Exchanges, the Liverpool Grain Exchange, the Glasgow Iron Exchange, and the numerous exchanges in London, rubber, tea, coffee, sugar, &c., in Mincing Lane; timber, iron and steel in Cannon Street; lead, tin and copper in Whittington Avenue; and coal in Lower Thames Street.

Agricultural Markets.—Throughout the country, there are still a large number of markets (about 1,500) for the sale of agricultural produce. Some of them are public markets, owned by municipalities and similar bodies (though sometimes by private persons), which have a legal monopoly. No other market may be established within 7 miles of them if it is likely to diminish their trade. The remainder, the great majority, are private markets owned by individuals or companies, which have no legal privileges. They are in effect private sale-rooms. Agricultural markets fall into two groups: (*a*) those situated in producing areas, which concentrate supplies for transmission to distant centres of demand; (*b*) markets in large towns which draw supplies from the producing areas, either for consumption by the town population, or for redistribution to other districts. Of the first type are the numerous fruit and vegetable markets in the west Midlands at Coventry, Gloucester, Cheltenham, Hereford, &c. Of the second, an example is the famous market at Covent Garden, London. In the seventeenth century, it became the habit for fruit and vegetable sellers to assemble at the place 'commonly called the Piazza' near St. Paul's Church, Covent Garden. Charles II transformed this informal gathering into a legal market and granted it to the Duke of Bedford, in whose family it remained until 1918, when it was sold to the Covent Garden Estate Company. Recent attempts to change the locus of the market have failed and it still functions on the old (now very much congested) site. London's vast population obtains most of its

fruit, flowers and vegetables through Covent Garden; and produce, both home-grown and imported, is regularly consigned from it to all parts of the British Isles.

A special group of agricultural markets, about a thousand in number, are concerned with the sale of live-stock. The auctioning of cattle was introduced in the eighteen-thirties and is now the commonest way of disposing of animals. Cattle-markets were originally held in open streets or squares, and a few of these still survive, but the majority now meet in covered-in spaces or buildings. The advent of the railway brought about a certain concentration in the cattle trade and helped to reduce the number of markets. In Scotland, this concentration movement has proceeded to great lengths in recent years, one enterprising firm having succeeded in monopolizing the greater part of the business of cattle-auctioning.

Wholesale Trading.—For manufactured goods, the range and variety of which are too great to permit of their being sold by sample or description, there are no physical markets of the kind just described. Such commodities find their way into the hands of the consumer through a chain of intermediaries, including one or more wholesalers and a final retailer. The wholesale merchant is equipped with warehouses, where he stores the goods he obtains direct from the producer or imports from abroad. The manufacturer is relieved by the wholesaler from the necessity of keeping large stocks of commodities on hand, while the wholesaler's bulk orders help to keep his machinery running continuously and at full pressure. To the retailer, the arrangement is equally advantageous. He is kept informed of the newest types of goods available, and can replenish his stock in small quantities as he needs. Between producer, wholesaler, and retailer, connexion is maintained by the issue of catalogues and circulars, by advertisements in the public press, and by the activities of the ubiquitous commercial traveller. Commercial travellers are the nerves of the economic body, the stimuli that provoke demand and make supply effective. During the early nineteenth century, the bagman became a familiar figure on the English roads, and a contemporary description of him seems to indicate

that the type has not altered much within the last hundred years.

> The commercial traveller . . . is generally a young and very shrewd individual, possessing great suavity of manner, and a remarkable ability to suit himself readily to all the varied moods of his very various customers. Furnished by his principals with choice samples of their goods, he steps into his chaise or the stage, and with a light heart commences his circuit. . . . At each town upon his route, he tarries at the principal inn, where he is sure to find a hearty welcome. After thus ensconcing himself in comfortable quarters, he arranges his samples, and, if it be forenoon, puts them under his arm and issues forth to visit the shopkeepers in the place. Wherever he goes, he is met with cordiality. Like all travellers, he is full of anecdote, and has at his command the rarest news of the time. None are more glad to see him than the shopkeepers' wives and daughters. To these he imparts the most recent scandal and the latest fashions, and affords them subjects for gossip until his next visit to the town. To the tradesmen, he lauds his samples with all the eloquence and ingenuity of which he is capable, and seldom leaves them without making considerable bargains in behalf of his principals. He then collects money due on former purchases, and, if in convenient shape, forwards the funds, together with his customers' orders for goods, by mail, to his employers.[1]

Certain agricultural commodities, it should be observed, are marketed in much the same way as manufactured goods. Milk is too perishable to be dealt with at ordinary markets and only a small proportion of it passes direct from the farmer to the consumer. The bulk of the supply is handled by wholesalers and retailers. The wholesaling of milk is a comparatively recent development. During the greater part of the nineteenth century, most towns got their supplies from stall-fed cows in 'town dairies', of which a few examples still survive. With the growth of large urban populations, it was necessary to go farther afield, and a town like London came to draw its milk from a 40-mile radius. This necessarily entailed wholesaling, and the handling of the milk by a chain of intermediaries. The wholesaler collects the milk, cleans and pasteurizes it, and distributes it to the retailer. In London, this system developed about 1900; in other large towns, a little later. The London milk trade is dominated

[1] *Hunt's Commercial Magazine*, 1839, quoted in *Facts and Factors in Economic History*, p. 599.

by one huge firm, United Dairies Ltd., which does practically all the wholesaling and a great deal of the retailing as well.

Retail Trading.—The growth of retail shopkeeping is an interesting social and economic development, which has hitherto not received adequate attention or investigation. Down to the eighteenth century, the weekly market was the main centre of retail trade. Housewives bought their supplies there or patronized itinerant pedlars. As the opportunity for replenishing stocks came only at intervals, middle-class houses required ample storage facilities, which are now no longer necessary; while preserving processes like pickling, salting and curing, occupied a place in domestic economy which they have long since lost. In the later eighteenth century, London and other large towns had specialized shops of the modern type and these gradually spread into the provinces and the rural districts. The first half of the nineteenth century was the age of the small shopkeeper. Thereafter, large-scale retail businesses rapidly developed. These are of two types, departmental stores and multiple firms. Departmental stores are really collections of shops under one roof. Harrod's, Whiteley's, Selfridge's and Gamage's are examples. They sell all sorts of articles, but specialize in things that appeal to women. The directors of these establishments realize how large a part of the modern man's income is spent by his wife, and their selling methods show an intimate acquaintance with feminine psychology. Universal provider shops are nearly always to be found in the central and busy streets of towns. They do not, as a rule, have branches, but many of them carry on a large business with distant customers by mail-orders.

Multiple firms or chain stores like Lipton's, Boot's, Woolworth's, &c., have numerous branches scattered throughout the capital and the provinces, which enable them to get into closer touch with their customers. This is very useful in the case of commodities for which the housewife does not care to make long journeys into the centre of the town. Hence multiple shopkeeping is firmly entrenched in the grocery and provision trade; but it has also made considerable progress in other branches of business, e.g. in the sale of

ready-made clothing, and in the retailing of tobacco, beer and spirits.

In face of all these developments, the small shop has steadily lost ground, but it is by no means driven from the field. A number of factors help to keep it alive. For certain commodities, groceries, butcher-meat, vegetables and milk, the housewife likes to have a shop round the corner. Then small shopkeepers maintain personal touch with their customers, give greater attention to their individual wants, and on occasion allow a more liberal supply of credit than the big shop is prepared to do. Finally, the desire of so many people to be their own masters leads annually to the establishment of a large number of small shops, as this is one of the easiest ways of achieving economic independence. It is true that the mortality among these small businesses is high, but there are always hopeful new-comers ready to come forward and fill up the gaps.

Commerce and Industry.—Within recent years, economic evolution has shown a somewhat surprising tendency to reunite functions that the progress of division of labour has separated. This is particularly true of the making of goods and of their marketing. At one time, these two functions were performed by one person, by the medieval craftsman, for instance. Even as late as the eighteenth century, many manufacturers traded direct with their customers. James Watt spent a great deal of time touting for orders for his steam-engines. In the nineteenth century, however, the advantage of separating these functions was realized, and most manufacturers handed over the marketing of their goods to a specialist. Now the tendency has been reversed. Many manufacturers have begun to do their own marketing again. In the motor industry, for example, the wholesaler has been largely eliminated. Producers deal direct with retailers, and the same is to a great extent true of the selling of typewriters and gramophones. Sometimes, even the retailing is done by the manufacturing firm. The Singer Sewing Machine Company has shops of its own, and so have many manufacturers of cheap clothing, tobacco, beer and spirits. The formation of cartells or selling-agencies for associations of producers is another sign of this tendency. On the other

hand, it is sometimes the retailer who takes over control of the manufacturing process. Grocery firms make their own cheese, druggists their chemicals, upholsterers their furniture, while in the Lancashire cotton industry the Balfour Committee noted that the initiative largely rests with the Manchester merchant or 'shipper', 'to whose order, and under whose direction, and by whose financial co-operation, the successive processes of manufacturing, bleaching or dyeing, printing and packing, are carried out by a series of firms, most of which do not know the destination of the finished goods'.[1] It is a little hard at the present stage to define the precise economic significance of this tendency. To some it is a proof that economic evolution moves in cycles, always returning to the point from which it started; to others, it is a sign of the 'old age' of capitalism. Such speculations are either fanciful or premature. It is too early yet to try to appraise the consequences of this latest phase in commercial development. Time alone will make its full import clear.

Foreign Trade.—In the development of British foreign trade since the Industrial Revolution, the following significant features should be noted.

(*a*) The stupendous growth in the volume of the trade.

	Imports	Exports
1815 . .	£32,980,000	£58,629,000
1855 . .	£143,543,000	£116,691,000
1895 . .	£416,690,000	£285,832,000
1912 . .	£744,641,000	£598,961,000
1921 . .	£1,085,500,000	£810,319,000
1932 [2] . .	£701,670,000	£416,045,000

(*b*) The change in the character of the imports and the exports. During the nineteenth century, Britain's exports came to consist preponderatingly of manufactured or semi-manufactured goods, her imports, of food and raw materials.[3]

[1] *Factors in Industrial and Commercial Efficiency*, 1927, p. 13.

[2] The decline in this year is due to the exclusion of the Irish Free State, the general fall in prices, and above all to the trade slump.

[3] The following tables are taken from the Balfour Report, *A Survey of Overseas Markets*, pp. 636–7.

FOOD

	Imports	Exports
1890–4	£169,985,000	£10,223,000
1910–13	£263,104,000	£31,647,000
1924	£543,051,000	£56,928,000

RAW MATERIALS

	Imports	Exports
1890–4	£110,209,000	£23,316,000
1910–13	£195,400,000	£55,862,000
1924	£324,267,000	£106,489,000

MANUFACTURES

1890–4	£75,850,000	£199,649,000
1910–13	£150,332,000	£368,932,000
1924	£266,011,000	£612,749,000

(*c*) The leading place taken among exports (down to the War), of the products of Britain's staple industries, textiles, mining, engineering, iron and steel.[1]

EXPORTS

	1860 (£1,000)	1880 (£1,000)	1910 (£1,000)
Cotton goods	42,141	63,662	91,326
Woollen „	12,156	17,265	25,079
Iron and steel	12,154	28,390	43,002
Cotton yarn	9,870	11,901	13,344
Linen goods	4,804	5,836	6,115
Woollen yarn	4,720	4,531	9,947
Machinery	3,837	9,263	29,296
Coal	3,316	8,372	37,812
Hardware and cutlery	3,770	3,520	6,424
Haberdashery, &c.	4,004	3,874	1,090
	100,772	156,614	263,435
Total Exports	135,891	223,060	430,589

(*d*) The uniformly unfavourable balance of trade. For the last hundred years at least, Britain has imported more than she exported. But this is not a sign of indebtedness. When 'invisible' items are reckoned in, like shipping and financial services and the income from foreign investments, Britain has

[1] The following table is taken from Porter, *Progress of the Nation*, p. 530.

had (until the last few years) a favourable balance of *payments*, leaving a surplus for reinvestment abroad.[1]

	1907	1913 (In million £)	1924
Excess of Imports.	142	158	341
Shipping services .	85	94	130
Financial „ .	35	35	55
Investments . .	160	210	185
	280	339	370
Surplus. . .	138	181	29

(*e*) The extent to which Britain has come to depend on her foreign trade. Contrary to popular belief, this dependence, though great, is less than in the case of some other industrial countries, and even of a number of agrarian countries. In the following table,[2] in which the external trade of certain selected countries is measured per head of their populations, Britain ranks only eighth in the list.

1929. External Trade per Head of Population
(In dollars)

New Zealand	334	France	101
Denmark	252	Germany	97
Holland	243	South Africa	96
Canada	242	U.S.A.	77
Belgium	227	Italy	46
Switzerland	226	Japan	31
Australia	213	Poland	21
Britain	196	India	6
Sweden	157	Russia	6
Argentine	156	China	3

This is an interesting reminder that agrarian countries are not necessarily self-sufficient. New Zealand, Denmark, Holland, Canada, and Australia are more highly specialized than this country. They live by the export of their agricultural produce. And amongst industrialized countries, Britain is less dependent on foreign trade than Belgium and Switzerland, though much more so than her chief rivals, France, Germany, America, and Japan. These points are mentioned merely to

[1] For the following table, see *A Survey of Overseas Markets*, p. 665.
[2] Cole, *Intelligent Man's Guide through World Chaos*, p. 355.

place the facts in their proper light. It remains true that Britain's dependence on her external trade is very marked. Unless she can find overseas markets for her staple products, she cannot feed and employ her industrial population.

FURTHER READING.—Clapham, *Economic History of Modern Britain*, Vol. I, chaps. vi and xii, and Vol. II, chaps. vi and viii; Bowley, *England's Foreign Trade in the Nineteenth Century*; Day, *History of Commerce*; Levi, *History of British Commerce*; Porter, *Progress of the Nation*, chaps. xxvi and xxvii; J. G. Smith, *Organized Produce Markets*; Thomas, *Commerce, its Theory and Practice.*

CHAPTER XXVII

THE RISE AND DECLINE OF FREE TRADE

The Reaction against Mercantilism.—The intellectual revolt against mercantilism was initiated by two Scotsmen, David Hume and Adam Smith. Hume, in his *Political Discourses* (1752), exposed the fallacies of the doctrine of the balance of trade; Adam Smith in Book IV of his *Wealth of Nations* (1776) refuted mercantilism point by point. Seldom has an intellectual system been more effectively demolished. Adam Smith showed how impossible it was for a country to have a permanently favourable balance of trade, since this would drain other countries of their bullion and make the balance automatically unfavourable again. He demonstrated further the uselessness of aiming at such a favourable balance, since the ordinary course of trade would supply a country with all the bullion it required for currency purposes and anything beyond that was superfluous, if not harmful. Finally he proved the unwisdom of placing artificial restraints on trade, and expounded at length the advantages of international division of labour, by which, he said, 'the different states into which a great continent was divided would so far resemble the different provinces of a great empire'.[1] Adam Smith did not anticipate an easy victory for these ideas. 'To expect', he wrote, 'that the freedom of trade should ever be entirely restored in Great Britain is as absurd as to expect that an Oceana or Utopia should ever be established in it.'[2] Yet within ten years of the publication of his epoch-making work, a Tory prime minister was busy applying its principles. The Younger Pitt, following the traditional policy of his party, desired to relax the restrictions on the French trade.

[1] *Wealth of Nations* (World's Classics), Vol. II, p. 131.
[2] *Ibid.*, Vol. II, p. 51.

In 1786, he negotiated the Eden commercial treaty, by which France undertook to reduce the duties on British cottons, woollens, hardware and hosiery, while Britain agreed to admit French wines at the same rates as Portuguese. At one stroke, the two chief supports of mercantilism in England were removed. The embargo on the French trade was lifted and the Methuen treaty was virtually abrogated. Within the next three years, the trade with France tripled. Across the Channel, however, the treaty was less popular than in England. French manufactures suffered severely from English competition, and though this was offset by an expansion in French agricultural exports, especially wines, the French public remained unconvinced of the benefits of reciprocity. The treaty was automatically cancelled by the outbreak of war in 1793, but even if peace had been maintained, it is almost certain that the agreement would have been abrogated or drastically amended by the French legislature.

The war postponed Pitt's further schemes of fiscal and financial reform and delayed for another generation the destruction of the restrictive system. During the war years, trade with France and the Continent suffered considerable interruption, especially after the institution of Napoleon's Continental System in 1806. This was not an attempt to cut off Britain from essential supplies. A starvation blockade was considered impracticable in the conditions of the time. The object was rather to shut out British exports from the Continent, so that the unfavourable balance of trade and the resultant outflow of gold might shake the foundations of British finance and cause a panic in the London money market. Faced with this assault on its credit, the British government acted with little wisdom. By its Orders in Council, it opposed restriction to restriction, which was simply playing Napoleon's game, and it insisted that neutral ships trading with France should touch first at a British port, a futile and unnecessary regulation which led to war with the United States (1812–15).[1] Fortunately for Britain, Napo-

[1] In the Great War, the United States was again brought into a European struggle, but this time by the blockade policy of Britain's chief continental enemy, Germany. It was well for Britain that the

leon's restrictive measures embroiled him with a more formidable enemy, Russia, and the disastrous issue of the Russian campaign (1812) made further attempts to bottle up the Continent against English goods impracticable. While it lasted, the Continental System inflicted enormous damage on British commerce and industry and caused great embarrassment to the government. The Bank of England's gold reserve was brought very low; in 1809 to £4 millions. But at no time was the confidence of the nation really shaken, and the government had never any difficulty in raising the loans it required. Nevertheless, if the Continental System had been maintained for a few years longer, there is no saying what might have happened. The strain on British credit might in the end have proved too severe.

Tariff Reforms, 1815–45.—With the close of the Napoleonic Wars, the current of free trade opinion resumed its course. The conversion of the trading and industrial classes to the cause of commercial liberty was a new element in the situation. Britain was now the sole workshop of the world, and her manufacturers stood in no fear of foreign competition. They were prepared to sacrifice protection for themselves in the home market, in the hope that greater freedom of trade would assist them in establishing a foothold in foreign markets. The Free Trade Petition of the London merchants in 1820 [1] was a sign of the direction in which business opinion was moving. Free trade had not yet become a party question, but there were still in the Tory ranks, politicians who represented the spirit and the principles of the Younger Pitt. One of these was Huskisson, President of the Board of Trade, 1823–7. Huskisson made a notable breach in the restrictive system. He revised the tariff, sweeping away prohibitions and substituting moderate rates, not exceeding 30 per cent. He overhauled the Navigation Laws, and negotiated a number of reciprocity treaties with countries which were ready to make mutual concessions in regard to the control of

experience of 1812 was not repeated, as in the interval the United States had grown into a great military and naval power, capable of turning the scale in an international combat.

[1] See Bland, Brown and Tawney's *Select Documents*, pp. 698–701.

shipping.[1] And finally, he codified the customs laws, reducing the number of tariff acts from 1,500 to 11.

The Whigs had no financial statesman of the calibre of Huskisson, and their period of power (1830–41) was barren of important fiscal reforms. But the accession to office of the Tory prime minister, Peel, initiated another period of tariff revision. Peel revised the tariff twice, in 1842 and again in 1845. On the first occasion, he lowered the duties on 750 out of the 1,200 articles in the tariff, and fixed a maximum rate for raw materials of 5 per cent. and for manufactured goods of 20 per cent. In 1845, he abolished the remaining export duties, admitted raw materials, with one or two exceptions, free, and reduced the rate for most manufactured goods to 10 per cent. Of 813 articles in the tariff, 430 were placed on the free list.

The Corn Laws.—While the tariff was in this way gradually being purged of protective duties in favour of manufactures, the protection enjoyed by agriculture was maintained and extended. Here a powerful class-interest was concerned, which was not convinced of the merits of free trade and was prepared to fight for its privileges. In 1815, the ' outbreak of peace ' threatened a serious fall in corn prices, and the landowners demanded and received the notorious corn law of 1815. Wheat was not admitted until the price had reached 80*s.* a quarter. Similar restrictions, with lower price-limits, were imposed on other kinds of grain. The law was a disappointment to its promoters. It had been expected that it would keep wheat prices above 80*s.* But at that time the exclusion of foreign corn did not have the effect on prices

[1] The reciprocity treaty with France (1826) lasted till 1934. The negotiations with Holland did not proceed smoothly at first, and it was in connexion with them that Canning penned his famous rhyming despatch.

> In matters of commerce, the fault of the Dutch
> Is offering too little and asking too much.
> The French are with equal advantage content,
> So we clap on Dutch bottoms just twenty per cent.
> *Chorus of Douaniers.*
> Twenty per cent. Twenty per cent.
> Nous frapperons Falck avec twenty per cent.

Falck was the Dutch minister of commerce.

that it would have to-day. Britain produced the bulk of her food at home, and it was conditions in the home market that primarily determined the price. If the home harvest was plentiful, nothing could keep prices up. In 1822, the price fell as low as 44*s.* 7*d.* and only twice, during the 14 years that the law remained in operation, did it rise above 80*s.* As rents had been fixed on the assumption of high prices, the farming community suffered great distress. At the same time, the urban populations resented being sacrificed, uselessly as it seemed, for the sake of the landed interest. An agitation against the corn laws developed in the eighteen-twenties, which led in 1828 to the adoption of the device of a sliding scale. This, it was hoped, would mitigate fluctuations in prices. When the price of wheat was 52*s.*, the duty was to be 34*s.* 8*d.*, falling gradually to 1*s.* as the price rose to 73*s.* Peel, in 1842, amended the scale by introducing 'rests' or intervals, the same duty applying to several shillings variation in the price. The limits of tax were now 20*s.* when the price was 51*s.* and 1*s.* when it was 73*s.*, with two 'rests' from 52*s.* to 55*s.* (duty, 18*s.*) and from 66*s.* to 69*s.* (duty, 6*s.*). This change implied a substantial reduction in the protection extended to agriculture. The price which Peel aimed at maintaining was only 56*s.*, as compared with 66*s.* under the old scale.

Meanwhile, active opposition to the corn laws had again developed. In 1839, a number of north of England manufacturers formed the Anti-Corn Law League. Led by Cobden and Bright, and aided by the development of railway communication and the advent of the penny post, the League carried on an intensive propaganda of a kind hitherto unfamiliar to Englishmen. The country was flooded with newspapers and pamphlets, innumerable meetings were held, and a corps of lecturers was organized to preach the benefits of free trade in every corner of the land. The League orators could make effective use of the 'dear loaf' argument, and this was valuable for popular consumption. But the responsible leaders did not care much for this sort of appeal, partly because it gave point to the Chartists' taunt that the manufacturers wished to cheapen bread merely in order to lower wages, partly because it was not in entire conformity with the

facts. So long as the bulk of Britain's food came from her own soil, free trade in corn could not bring about any substantial reduction in prices. The dearness of freights conferred a natural protection on the British farmer. As Cobden pointed out, the cost of transport between Danzig and London would always be equivalent to a 10*s.* duty on foreign grain.[1] Why then did the League demand repeal? Mainly on the ground that the corn laws limited the overseas market for British goods. Agrarian countries were willing to buy our manufactures, but they could only pay for them with corn, and this we refused to receive. Remove the import duties on grain and immediately a great expansion of our export trade would follow. Industrial stagnation and unemployment would come to an end. It was for these reasons that the manufacturing interest was whole-heartedly behind the League in its agitation.

The progress of the League's propaganda varied very much with the dearness or cheapness of corn. When prices were high, public opinion was stirred; when they fell again, interest languished. At last, the occurrence of a great natural calamity precipitated a solution of the question. The summer of 1845 was very wet. Not only was the harvest poor, but disease attacked the potato crop all over western Europe. For Ireland, where the peasantry had been reduced to a potato diet, this meant famine. Peel, on whose mind the arguments of Cobden had already made considerable impression, decided that the corn laws must be suspended, and he told his Cabinet that after this demonstration of their inexpediency, he did not see how they could be reimposed. His party (save a small minority) refused to follow him, and it was with the assistance of Whig votes that repeal was finally carried in June, 1846.[2] A moderate sliding scale

[1] At this time, most of the foreign corn which reached England came from eastern Europe through the port of Danzig.

[2] Owing to want of support in his Cabinet, Peel resigned in November, 1845, but the Whig leader, Lord John Russell, was unable to form a ministry. Peel had therefore to resume office and to perform himself the distasteful task of repealing the corn laws. On the very day that the repeal bill passed the House of Lords, his government was beaten in the House of Commons by a combination of Whigs and protectionist Tories.

was substituted for the former duties, to be replaced in 1849 by a nominal registration duty of 1*s*. Even this was abolished in 1869. The immediate effects of repeal showed that in one respect, at least, Cobden was a true prophet. Prices did not fall to the extent that the agricultural interest had feared. For the 25 years preceding repeal, the average price was about 57*s*. 6*d*. For the period 1850–69, it was 52*s*. 6*d*., and there were years (1854 and 1855) when the price soared above 70*s*. The explanation is partly that the corn-exporting countries were affected by wars during the middle years of the century (the Crimean War in Russia, the Civil War in America), partly that the appreciation of silver discouraged exports from the silver currency countries, but most of all because of the relatively high cost of sea-transport. Not until the big fall in freights in the eighteen-seventies did British agriculture begin to react to the influence of foreign competition in corn.

The Completion of Free Trade.—The repeal of the corn laws closed for the time being the controversy over free trade. For the next thirty or forty years, the advantages of unrestricted commercial intercourse were accepted as axiomatic, and the remaining protective duties were removed from the tariff without opposition. Gladstone, a former colleague and disciple of Peel, completed the transition to free trade. In 1853, in a famous Budget, he abolished the customs duties on 123 articles and reduced the rates on 133 others. Semi-manufactured goods as well as raw materials were now admitted free, and no manufactured article was charged more than 10 per cent. The final stage was reached in 1860. In that year, a commercial treaty was concluded with France, Cobden acting as informal negotiator. The French government agreed to abolish all prohibitions and to lower to 30 per cent. the maximum rates on British coal, iron, steel, machinery and textiles. Britain, on her side, consented to lower the customs on French wines and to abolish all duties on manufactured goods. She did not limit these concessions to France, but made them universal, and this meant the disappearance of the last remnants of protection from the British tariff. The number of dutiable articles was reduced to 48, and in the case of only two of these could the duties be described as

protective.[1] For the next 70 years, Britain was a free trade country.

The Return to Protection.—Until the eighteen-eighties, the faith of Englishmen in the virtues of free trade remained unshaken. Then doubts began to arise. Despite Cobden's prediction, other countries did not imitate our fiscal policy. On the contrary, they deliberately heightened their tariff walls. France, Germany and the United States went over to high protection. To the man in the street, it seemed unjust that foreign goods should be admitted to Britain free, while British goods were taxed in other countries, and to this unfair treatment he was inclined to attribute the persistently unfavourable balance of trade which now began to excite anxiety. Worst of all, it had become clear that Britain could not hope to maintain the lead over her competitors which she had held during the early nineteenth century. She continued to make progress, it was true, but relatively her progress was less rapid than that of other nations, which were becoming industrialized and entering into competition with her in foreign markets. Between 1876 and 1885, Britain's share in world trade fell from 23 to 19 per cent. It was inevitable that this relative decline should stimulate criticism of her fiscal policy. Protectionist sentiment revived, and, in 1881, an M.P., Farrer Ecroyd, founded the Fair Trade League. Ecroyd professed belief in universal free trade, but not in the existing system of free imports, and he urged that the weapon of retaliation should be used to induce other nations to lower their tariffs. Fair trade found some sympathizers among Conservatives, but was not taken up by the leaders of the party. Greater success attended the Tariff Reform campaign, launched by Joseph Chamberlain in 1903. In his proposals, Chamberlain tried to satisfy two distinct and not easily reconcilable aims. On the one hand, he wished to protect British manufacturers against foreign competition; on the other, to make the Empire a single economic unit by means of an imperial customs union. Public opinion was not ripe for such a policy, and protection was beaten at the polls in 1906. But it captured the sympathies of Conservatives and was officially adopted as a plank in the party

[1] Timber and corn. These duties were soon repealed.

programme. For the first time for half a century, there was a protectionist party in Britain.

During and after the War, a number of restrictions were laid upon commerce, generally for non-economic reasons, which introduced a considerable leaven of protection into the British tariff. In 1915, a 33⅓ per cent. duty was imposed on clocks, watches and motor-cars, in order to economize shipping space. These so-called McKenna duties were retained on the conclusion of peace.[1] Then, in 1921, the Safeguarding of Industries Act placed protective duties on the products of a number of ' key industries ', and authorized manufacturers suffering from foreign dumping to apply for special protection to the Board of Trade. Finally, in 1925, taxes, the protective character of which was only thinly disguised, were imposed on silk and hops. In this way, very considerable inroads were made on the British free trade system, despite the fact that when the fiscal question was made an issue at the election of 1923, protection was again defeated. There could be no mistake as to the general direction in which events were moving, but the final breach with free trade was due more or less to accident. The financial crisis of 1931 led to the formation of a national government, and in February of the following year, on the plea that the balance of payments as well as the balance of trade was unfavourable and could only be rectified by the exclusion of imports, Parliament adopted a general tariff of 10 per cent. (afterwards raised to 20 per cent.). An Imports Advisory Board was set up to make recommendations regarding the industries to be protected and the degree of protection to be allowed. A fairly extensive free list was granted, which included most foodstuffs and raw materials, but a measure of indirect protection was conferred later in the year on wheat-growers by the institution of a Wheat Quota, which guaranteed British farmers a price above the competitive level, the deficiency to be met from a levy on the sale of flour.[2] In this way, Britain broke with her

[1] Repealed by a Labour government in 1924, they were restored by the Conservatives in the following year.

[2] In the first year of working, 1932–33, the guaranteed price was 45*s.* as against a competitive price of 24*s.* 2*d.*, and the cost of the subsidy amounted to £4,778,000. As a result of the Ottawa Conference, 1932, a 2*s.* duty was imposed on foreign (not colonial) wheat.

free trade traditions and passed over into the protectionist camp.

Colonial Trade Policy.—The secession of the American colonies was followed by a slight relaxation in the rigidity of the old colonial system. The mother-country still claimed the right to regulate the trade of the colonies, but it sought to temper the harshness of its monopoly by the institution of a system of mutual preference. Colonial products, especially grain, timber and sugar, were admitted to this country at a lower rate of duty, while British goods received preferential treatment in the colonies, the amount of the preference in this case being fixed not by the colonial legislatures but by the Imperial Parliament. Huskisson played an important part in organizing and extending this preferential régime.[1]

The adoption by the British Parliament of a free trade policy gradually extinguished the colonial preferences. Grain went in 1846, sugar in 1854, timber in 1860. In 1849, the Navigation Laws were repealed, and inter-imperial trade was thrown open to the shipping of all nations. As some compensation for the loss of their privileges, the colonies were allowed after 1846 to abolish the preferences on British imports. The gift of complete fiscal independence was not long in following. After 1859, it was conceded that the grant of responsible government carried with it the right to regulate trade, and the colonies were allowed to erect tariffs even against the mother-country.[2] The Empire ceased to be an economic unit, and imperial sentiment sank to a low ebb. In all the colonies, the separationist movement gathered strength, and the political disruption of the Empire would probably have followed, had not the colonists realized that they required the protection of the British fleet. The state of opinion at home may be judged by the declaration of Disraeli, the future champion of imperialism, that 'these wretched colonies will all be independent in a few years and are a millstone round our necks'.[3]

[1] See Brady, *William Huskisson and Liberal Reform*, especially chap. vi.

[2] After the War, this privilege was extended to India.

[3] Statement in a private letter, 1852.

In the later decades of the nineteenth century, the revival of imperial sentiment produced a totally different attitude to the colonies, and led to attempts to strengthen the political and economic ties that united the different parts of the Empire. In 1897, Canada granted a general preference on British goods and her example was followed by most of the self-governing Dominions. The home-country, tied to free trade, could make no response, but after the War the steady drift towards protection enabled commercial concessions to be made to the colonies. The principle of colonial preference was recognized in 1919 and considerably extended in 1925, when preferences were granted on sugar, tobacco, dried fruit and wines. After the Imperial Economic Conference at Ottawa in 1932, there was a further extension of the preferential régime. The result has been a steady expansion in inter-imperial trade.

British Imports

	1913	1938
Foreign Countries	79·4 per cent.	60 per cent.
Empire ,,	20·6 ,,	40 ,,

British Exports

Foreign Countries	62·7 per cent.	50 per cent.
Empire ,,	37·3 ,,	50 ,,

Yet, so far, little progress has been made towards Chamberlain's ideal of a British Imperial Customs Union. The introduction of empire free trade would have disturbing effects on the economic activities of mother-country and Dominions alike. The Dominions would have to sacrifice the industries they have built up behind tariff walls and confine themselves largely to the production of food and raw materials. It is scarcely surprising that they are reluctant to accept this secondary position. On the other hand, the adoption by the British Parliament of a policy of agricultural protection has made it more difficult for the Dominions to assume the rôle that nature seems to have destined for them in the imperial economy. The whole problem bristles with such formidable difficulties that no early solution of it is to be expected.

Further Reading.—Fay, *Great Britain from Adam Smith to the Present Day*, chaps. i–v; Rees, *Short Fiscal and Financial History of*

England, 1815–1918; Armitage-Smith, *The Free Trade Movement and Its Results*; Holland, *The Fall of Protection*; Walker-Smith, *The Protectionist Case in the 1840's*; Hirst, *From Adam Smith to Philip Snowden*; Nicholson, *The Corn Laws*; Fay, *The Corn Laws and Social England*; Barnes, *History of the English Corn Laws*; Fuchs, *The Trade Policy of Great Britain*; Davidson, *Commercial Federation and Colonial Trade Policy*; Leacock, *Economic Prosperity in the British Empire*; Fay, *Imperial Economy*.

CHAPTER XXVIII

BANKING, CURRENCY AND PUBLIC FINANCE

The Bank Restriction, 1797–1821.—In 1797, Parliament authorized the Bank of England to suspend cash payments. The strain of the war had been too much for the Bank's resources. The directors had had to meet heavy demands from the government for advances, and in this particular year an internal and an external drain of gold had combined to reduce the metallic reserve very low. The situation was complicated by rumours of a French invasion, which shook the confidence of the business community and caused a run on the Bank.[1] In these circumstances, the government had to come to the rescue of the directors and relieve them from the liability to cash the Bank's notes in gold. This measure was intended merely to be temporary, but, by various continuing statutes, it was prolonged to 1821, so that for nearly a quarter of a century England had an inconvertible paper currency. The denomination of the notes was reduced. The Act of 1775 was suspended, and the Bank was permitted to issue notes of less than £5.

The management of the paper currency was left in the hands of the Bank itself. Later, the directors were accused of being grossly ignorant of the most elementary principles of monetary science, but the rule they imposed on themselves to prevent over-issue was not a bad one for the purpose. They resolved to issue notes only in response to genuine demands for commercial credit. If rigidly observed, this rule would almost certainly have prevented inflation. The supply of money would have been regulated in accordance with the demand for it from the business community. And, indeed,

[1] Actually, a small body of French troops effected a landing in Wales.

for the first few years of the suspension, there was no monetary depreciation. Metallic guineas circulated at par alongside the paper notes. But after 1799 the situation altered. By 1800, the circulation had increased from £10 millions to £16 millions; by 1810, it had swelled to £21 millions. And these increases were not due to genuine trade demands. In practice, the directors departed from their excellent rule, and made advances to speculators and commercial adventurers, especially during the boom years 1809–10, when trade was opened up with the Portuguese colony of Brazil, and companies were floated for all sorts of fantastic projects.[1] The result of the Bank's action was that the supply of paper money exceeded the genuine demand for it, and depreciation inevitably set in. The price of gold (in paper) went up to £4 12*s.* an ounce, as against the legal mint price of £3 17*s.* 6*d.* Guineas began to disappear from circulation, and the foreign exchanges turned against Britain.

At this juncture, the House of Commons, on the motion of Francis Horner, appointed the famous Bullion Committee to investigate the monetary situation. The Committee was composed entirely of 'sound money' men, and its report, issued in 1811, contained a rather dogmatic assertion of the advantages of 'hard' money over 'soft'. Over-issue of the notes was declared to have taken place, the proofs being the premium on gold and the adverse state of the exchanges, and a speedy return to cash payments was recommended. The Bank directors, on the other hand, denied that there had been over-issue and attributed the premium on gold to an abnormal demand for the precious metals. When the Bullion Report came to be considered by Parliament, the government elected to stand by the directors, and the House of Commons, at its dictation, passed a perfectly futile motion, declaring that the paper money was 'held in public estimation to be equivalent to the legal coin of the realm'. This was in flagrant contradiction with the facts, and when Lord King, a 'sound money' man, refused to accept his rents in depreciated paper, demanding payment in bullion, the government was forced to make the notes legal tender, a step which it had hitherto shrunk from taking.

[1] Including the export of skates to Rio de Janeiro.

During the remainder of the war period, inflation of the currency continued, and in 1813 the price of gold reached its highest point, £5 10*s.* an ounce. On the conclusion of peace, the value of money began to rise again, and a return to cash payments appeared practicable. The agitation in its favour grew in strength, and in 1819 the House of Commons appointed another committee, with Peel as chairman, to reconsider the question. Peel's Committee reported in favour of the resumption of cash payments by 1823, and Parliament accepted this recommendation. The Bank found itself able to anticipate the prescribed date, and the convertibility of the notes was restored in 1821. With the return of coin into circulation, it was decided that there was no further need for one-pound notes, and these were abolished in 1826, though allowed to circulate in Scotland and Ireland.

For long, the principles of the Bullion Report were accepted as infallible truths of monetary science. Modern opinion, however, has become more critical. The Bullion Committee was right in declaring that there had been an over-issue of notes, and the Bank directors were foolish to deny it, but the degree of inflation was slight compared with that practised by the belligerent nations during the Great War. On the other hand, the Committee was wrong in recommending a return to the metallic standard at the old rate. This could only be accomplished through deflation of the currency, which is quite as inequitable in its effects as inflation, and has the additional disadvantage of imposing a check on industrial expansion. Devaluation was timidly suggested in 1819 (by the banker, Hudson Gurney, and others), but the government brushed the proposal aside, preferring to repeat the blunder of 1696. The ensuing fall in prices was very discouraging to trade and imposed great hardship on producers, besides adding considerably to the weight of the National Debt. Isolated voices were raised in protest. Cobbett fulminated against the fundholders, who battened on the community, and Western stated in more temperate language the wrongs of the agriculturists. But the government remained obdurate. The idea of the sacredness and unchangeableness of the metallic standard had acquired too strong a hold over the minds of

bankers and politicians to permit impartial consideration of any alternative policy.

The Bank Charter Act, 1844.—The return to cash payments did not close the controversy over the currency. For another twenty years the banking world was divided over the question of the regulation of the note-issue. The theorists of the 'Banking School' maintained that, provided bank-notes were convertible into gold, no legal restrictions were required on their issue. The opposing school, the 'Currency School', argued that notes were a part of the circulating medium and should therefore be regulated like other forms of currency. Unrestricted rights of note-issue were dangerous. They enabled the banks to inflate credit, and inflated credit, it was alleged, was the main cause of the two great financial crises which had convulsed the country in 1826 and 1837. Though only partially true, as subsequent events proved, these views were accepted by the government and embodied in Peel's Bank Charter Act of 1844. The Bank of England was divided into two sections, the Banking Department for the transaction of ordinary banking business, and the Issue Department for the control of the notes. Paper money up to a limit of £14 millions might be put into circulation against a reserve of first-class securities. Beyond that point, every note must be covered by gold.[1] Provision was also made for the centralization of the note-issue. The circulation of existing banks of issue was fixed, and no more such banks were to be established in future. If an issuing bank failed or amalgamated with another bank, it lost its rights of issue, and thereupon two-thirds of its circulation was added to the uncovered issue of the Bank of England. The last private bank of issue, Fox, Fowler and Co., was absorbed by Lloyds in 1921, and the fiduciary issue of the Bank of England was raised to the maximum which the 1844 Act allowed, £19,750,000.

The experience of the middle years of the century revealed serious flaws in the Bank Charter Act. The claim that the Act would prevent financial crises was shown to be groundless. Crises of exceptional severity occurred in 1847, 1857 and

[1] Permission was given for a fifth of the reserve to be kept in silver, but after 1861 the Bank ceased to hold silver bullion.

1866. The restrictions imposed on the note-issue were found to be embarrassing, and, in times of emergency, had to be relaxed. During a financial crisis, a keen demand for legal tender money springs up. In the general uncertainty, business men do not want bills or other forms of credit paper, but money which will be instantly accepted by creditors in liquidation of claims. In the nineteenth century, legal tender money consisted of gold coins and Bank of England notes.[1] Thus the brunt of the demand fell on the Bank of England, and every commercial crisis was accompanied by a run on the Bank. But the Bank's note-issue was limited by law, and its gold reserve was not inexhaustible. How then was a crisis to be met? In practice, only one remedy was found to be efficacious—to suspend the Bank Act and issue notes beyond the legal maximum. Fortunately, British business men were never reduced to such a state of panic that they demanded gold in preference to notes. Indeed, the mere belief that notes could be had if wanted was generally sufficient to cure a crisis. Thus in 1847, 1857 and 1866, the Bank Act was suspended, and on only one of these occasions, 1857, was it found necessary to make an excess issue of notes.

In spite of the deficiencies which experience revealed in the Bank Charter Act, it remained unamended till after the War. The need for reform, it is true, was rendered less urgent by improvements in banking practice and technique, which mitigated the severity of financial crises and made them more manageable. Except for a few days in August 1914, there was no run on the Bank after 1866. In 1928, however, the State transferred to the Bank of England the currency notes of one pound and ten shillings which it had issued during the War, and opportunity was taken to make the restrictions on the note-issue less rigid. The amount of the fiduciary issue was raised to £260 millions, but this limit might be raised by the government for periods of six months at a time, parliamentary sanction to be sought if the period of continuous suspension exceeded two years. In this way,

[1] Bank of England notes ceased to be legal tender in 1823, but after 1833 they became legal tender for all amounts above £5 except at the Bank itself.

an element of elasticity was introduced into the regulation of the note-issue, which had been notoriously lacking before. At the same time, notes of small denominations, against which English banking opinion had for so long been unreasonably prejudiced, were at last admitted as a permanent part of the circulating medium.

Joint-Stock Banking.—The growth of joint-stock banking was for long retarded by the monopoly which the Act of 1708 was believed to have conferred on the Bank of England. It was assumed that the law forbade the formation of any other joint-stock bank. In 1823, however, Joplin, a Newcastle stockbroker, disputed this interpretation and maintained that the Bank's monopoly referred only to the right of note-issue. A joint-stock bank which did not issue notes, he argued, was perfectly legal. By this time, the unreasonableness of checking the growth of large banking institutions was coming to be realized, and Parliament in 1826 permitted the establishment of note-issuing joint-stock banks at a distance of 65 miles from London. In 1833, Joplin's point was finally conceded. Joint-stock banks without rights of issue were allowed to establish themselves in the capital itself. Thereafter an amalgamation movement set in which steadily reduced the number of British banks but increased their size. The number of banking institutions fell from 600 in 1824 to 250 in 1865 and 55 in 1914. After the War, an unprecedented concentration of banking resources took place. The number of banks was reduced to 28 and the bulk of the business was monopolized by 5 gigantic institutions, the Midland, the Westminster, Lloyds, Barclays, and the National Provincial.

The growth of large joint-stock banks, combined with the establishment of clearing-houses in London and important provincial centres, led to a great extension of the cheque habit. All large payments are now made by cheque. Notes and coin are reserved for small purchases. Incidentally, this has removed the restrictions on the issue of bank credit which Parliament sought to impose by the Bank Charter Act of 1844. When a banker makes an advance to a customer, he no longer hands him over a bundle of notes. He gives him a cheque-book and allows him to write cheques up to a

certain amount. The effect is the same as if the customer had deposited money in the bank, and therefore it is usual to say that a bank loan creates a deposit. Bank deposits represent purchasing power, and the banks can manufacture this purchasing power without any legal limit. A practical limit, however, is imposed by the fact that, though the bulk of the cheques drawn will be handled through clearing-houses and lead only to book entries, a small proportion will be cashed. The bank must therefore keep a cash reserve, though not a large one. Most British bankers are satisfied with a cash reserve equal to a tenth of their liabilities. Part of this is in the form of notes and coin, but the bulk of it is represented by the bank's balance at the Bank of England, which it relies on being able to convert into cash on demand. For this reason, the Bank of England must keep a much larger cash reserve than the joint-stock banks. Its reserve is usually equal to over 40 per cent. of its liabilities. At the same time, this arrangement gives the Bank a certain control over the issue of credit by the joint-stock banks. It can vary the size of their balances in its books and thus determine the amount of their cash reserves. The Bank of England has a large number of securities in its possession. Suppose it offers some of these for sale. They will be purchased by customers of the joint-stock banks, who will draw cheques in favour of the Bank of England. When these cheques are passed through the clearing-house, the effect will be to reduce the balances of the joint-stock banks with the Central Bank. This will be equivalent to a reduction in their cash reserves and will entail a curtailment of the credit they allow their customers. The purchase of securities by the Bank of England will have precisely the opposite effect. The cash reserves of the joint-stock banks will be increased and they will be able to make a more generous issue of credit. Thus the Bank, by what is called its 'open market policy', is able to regulate the supply of credit to the business community, and by controlling the supply of credit or purchasing power, can raise or lower the general price level. This is another important public function which the course of banking development has placed in the hands of the Central Bank.

The Money Market.—The London Money Market centres

round Lombard Street and is often called by that name.[1] In this instance, 'money' means short-time credit, which is supplied through the banks, the bill-brokers, the discounting and accepting houses.[2] Most of this short-time lending takes place through the discounting of bills. A bill of exchange is simply a promise to pay a stipulated sum at a future date, generally three months. It is usually based on some commercial transaction, but bills are sometimes drawn merely to borrow money for a short period at a low interest. These are finance bills or 'kites'. When a bill is discounted, the face value is paid to the holder less a discount which represents the interest on the principal for the period until the bill matures. The rate of discount is therefore just the rate of interest for short-time loans. Some bill discounting is done by the banks, but most of it is in the hands of bill-brokers who specialize in this work. The vast majority of the bills handled in the London Money Market have to do with foreign trade, often with exchange transactions between other countries in which British nationals have no concern. This is a consequence of London's position as an international money centre. In the negotiation of these foreign bills, the accepting houses perform a useful function. They guarantee the genuineness of bills and enable bankers and bill-brokers to take them up without further inquiry. The funds used by the Money Market come in part from the banks, which lend money at call or on short notice to the bill-brokers and are thus able to keep a proportion of their assets extremely liquid. But a very large share is contributed by the public, and much of the floating capital employed in the Money Market is sent from abroad. In recent years, the amount of foreign money left in London for temporary investment has become extremely large, between four and five hundred millions sterling.[3] The disturbance to financial and currency stability that would be caused by a sudden withdrawal of

[1] For the classic description of it, see Bagehot's *Lombard Street*, 1873.

[2] According to the Macmillan Report (p. 43), the discount houses consist of 7 companies and 17 private firms with 8 running brokers, who act as intermediaries only.

[3] Macmillan Report, p. 42.

this sum was noticed in the Macmillan Report (p. 149). The fears then expressed were realized in 1931 when the repatriation of a large proportion of this foreign floating capital started a gold drain which drove Britain off the gold standard.

The part played by the Bank of England in the Money Market is that of control and regulation. This was not always so. At one time, the Bank formed part of the market and competed with private bankers and bill-brokers for the discount of bills. Its action was dictated throughout by its own interests. It manipulated the discount rate with only one object in view, the making of profits for itself. But the course of historical development made this attitude impossible. The Bank was forced into the position of a controlling agency whose functions were not the transaction of ordinary banking business, but the supervision and regulation of the whole banking and monetary system. The directors were reluctant to accept these responsibilities, but the force of circumstances was too strong for them.[1] From the eighteen-seventies onwards, it was generally recognized that the Bank of England, though in form a private joint-stock enterprise, was not an ordinary profit-making institution but rather a public utility concern, entrusted with the discharge of important duties to the business community and the public.

In the Money Market, the Bank has a clearly defined function to fulfil. Its business is to adjust the supply of short-time credit to the demand. When credit is too plentiful, it curtails it; when the supply runs short, it replenishes it. For this purpose, it has a useful instrument in its own rate of discount. Raising the Bank Rate attracts funds to the Money Market; lowering it drives them away. So long as a fairly large proportion of the bills handled by the Money Market were actually discounted by the Bank, this method was sufficient. The rate of discount in the market immediately reacted to changes in the Bank Rate. But now that the Bank does little discounting, the influence of its Rate has weakened and has had to be reinforced by the 'open market' methods described in the last section. By selling securities,

[1] Bagehot in his *Lombard Street*, 1873, did much to clarify the position.

the Bank draws off surplus credit from the Money Market; by purchasing them, it increases the supply, when this is necessary. Since the War, this has become the normal method of smoothing out day-to-day fluctuations in the flow of credit. The use of the Bank Rate is reserved for serious emergencies.

Scottish and Irish Banking.—In 1810, the foundation of the Commercial Bank opened a new phase in Scottish banking. Unlike the older banks, the Commercial aimed at being a national institution and adopted an energetic branch policy. The other banks were compelled to follow suit, and in the next few decades, extensions and amalgamations brought into existence large banking companies like the Union (1830), the National (1831), the Western (1832), and the City of Glasgow (1839). In 1845, the number of banks in Scotland had been reduced to 19 and, in that year, a statute modelled on Peel's Bank Charter Act fixed their fiduciary issue at £3,087,209. Banks that failed lost their rights of issue, but amalgamated banks retained them. Since then, 2 banks have failed (the Western in 1857 and the City of Glasgow in 1878), and the remaining 17 have been reduced by fusions to 8, with a fiduciary issue of £2,676,350. The actual circulation of the Scottish banks is about £20 millions in excess of this, the surplus being covered by Bank of England notes.[1]

In the later nineteenth century, the attempt of the Scottish banks to invade English territory excited much indignation south of the Border. The National opened a London branch in 1864, and her example was copied by the other Scottish banks. The Clydesdale went further and opened 3 branches in Cumberland (1874). In self-defence, English bankers promoted a bill in Parliament to confine the Scottish banks to their own territory, but the measure never reached the statute-book. In the end, the Scottish invasion did not develop on the scale that had been feared. Retaliatory attempts of English banking institutions to establish branches in Scotland uniformly failed, but after the War a series of affiliations brought several important Scottish banks under English control. The National was linked up with Lloyds, the British Linen with Barclays, the Clydesdale and the North of Scot-

[1] Bank of England one-pound and ten-shilling notes are legal tender in Scotland.

land with the Midland. Against this the only extension of Scottish banking influence in the south is the absorption by the Royal of the old London private bank, Drummond's, in 1924.

In Ireland, a large number of private banks sprang up in the eighteenth century, but there was no banking institution of any importance until the foundation of the Bank of Ireland by Grattan's Parliament in 1783. The new Bank enjoyed a monopoly of joint-stock banking until 1820, when the establishment of other joint-stock banks was permitted outside a 50 miles radius of Dublin. After 1845, joint-stock banks were permitted in the capital itself. At this time, there were 6 note-issuing banks in Ireland (all of which are in existence to-day), with a fiduciary issue, fixed in 1845, of £6,354,494. Their post-war circulation is about £17 millions. In addition, there are 3 important Irish banks without rights of issue. The creation of the Irish Free State necessitated some redistribution of banking resources. Only the North of Ireland banks remained under the control of the Imperial Parliament and their fiduciary issue was fixed in 1928 at £1,634,000.

The Gold Standard.—In 1821, Lord Liverpool's Coinage Act, passed in 1816, came into force. It established a single gold standard in this country. The sovereign took the place of the guinea as the standard coin and its weight was fixed at 123·27 grains. The old standard of fineness was retained. This meant that an ounce of pure gold was made into about $4\frac{1}{4}$ sovereigns. The Mint price of standard gold (i.e. gold eleven-twelfths fine) was £3 17*s.* 6*d.* per ounce, raised after 1844 to £3 17*s.* 9*d.* Gold coins alone were full legal tender. Silver and copper were reduced to the level of token money and their legal tender was restricted, silver to 40*s.*, copper to 12*d.* They were intended only to be used for small change. The face value of the token coins was greater than their metallic value, but the government coined them only in limited quantities, and this kept them from depreciating. Gold, on the other hand, could be brought to the Mint and coined to any amount.

In the later nineteenth century, most of the great commercial nations followed Britain's example and adopted the single gold standard. This established something like an

international currency throughout the world and helped the expansion of British trade, besides favouring the development of London as an international money market. But certain drawbacks were associated, in practice, with the gold standard. Largely automatic in its working, a gold currency nevertheless requires a certain amount of management. A sufficient bullion reserve must be maintained. In England, with its single cash reserve system, this task devolved on the Bank of England. To check an internal drain of gold was comparatively easy. The Bank had merely to secure the suspension of the Bank Charter Act and then set the printing press to work. For the correction of an external drain, due to an unfavourable balance of trade or to movements of capital abroad, the Bank relied on its rate of discount. A rise in the Bank Rate attracted floating capital to London and caused an inflow of gold. Unfortunately, it also sent up the price of credit at home, at a time when business was perhaps not prepared for such a restriction. This was a difficulty associated with the working of the gold standard which could not be overcome. An outflow of gold could sometimes only be checked by sacrificing the interests of domestic producers.

Another disadvantage was the instability of prices under a gold standard. Movements of gold from one country to another caused minor disturbances in domestic price levels, while variations in the output from the mines were responsible for long-period fluctuations in world prices. After the opening up of gold mines in California and Australia in the eighteen-fifties, the world's stock of gold increased. The value of the metal fell, and the price of other commodities measured in terms of gold rose. Between 1870 and 1890, on the other hand, the output of the mines failed to keep pace with the demand of trade and industry for metallic money and the value of gold went up. In other words, gold prices fell. The depressing effect of this fall led to much criticism of the single gold standard and was the occasion of a vigorous agitation in favour of bimetallism.[1] If silver

[1] In 1830 and 1833, bimetallist proposals had been brought before Parliament by the banker, Mathias Attwood, brother of the better-known Thomas Attwood.

were monetized, it was argued, the deficiency in gold money would be more than made good, and prices would go up. In 1888, half the members of the Gold and Silver Commission pronounced in favour of this view, but the City and the bankers were strongly opposed to any tampering with the single standard, and no action was taken. In the eighteen-nineties, with the opening up of the rich mines of the South African Rand, gold prices began to rise again, and this deprived the bimetallists of their most telling argument. The agitation gradually dwindled away.

On the outbreak of war in 1914, the gold standard was immediately suspended, but this time the State itself made an issue of paper money. The government's currency notes were responsible for a very considerable degree of inflation, aggravated by the heavy advances which the Bank of England made to the State for war expenditure. During the war years, the paper circulation tripled and prices rose $2\frac{1}{2}$ times. After 1916, gold ceased to circulate. The depreciation of the pound was partially concealed by the steps taken to maintain or 'peg' the exchanges.

In 1918, the Cunliffe Committee, whose report showed little advance on the ideas that prevailed at the time of the Bank Restriction, recommended an early return to gold, but it was not possible to take this step until 1925. In that year, the paper money was made convertible into gold, not, however, into gold coins, but into gold bars worth about £1,700 each. This was to ensure that the domestic currency should still consist of paper, though merchants and bankers who required gold for export could always obtain it. Unfortunately, the blunder of 1821 was repeated. Devaluation was ruled out, and the metallic standard was restored at the old rate. A fall in prices followed, costs and wages remaining at their old level, and British producers were considerably handicapped in world markets. On the top of this came a general fall in world prices which was largely responsible for the slump after 1929. Other countries like us had returned to gold and the scramble for the metal drove up its value and produced a decline in gold prices. The scarcity of gold was aggravated by its maldistribution. The refusal of certain creditor countries to reinvest their surpluses abroad

brought about an unprecedented concentration of the world's stock of the precious metals. By 1931, three-fifths of the supply was in the hands of France and the United States. There was no chance of this surplus gold flowing out again, because the financial authorities in these two countries refused to allow the metal to come into circulation and affect prices.[1] In these circumstances, the gold standard simply could not be worked. The climax came in 1931, when a severe external drain forced Britain to sever her connexion with gold. Her example was followed by all save half a dozen countries.[2] Since then Britain has had a 'managed' currency, based on a circulating medium of inconvertible paper. Officially, the monetary programme of the British government is a return to gold when circumstances permit, but no precise date has been fixed for this step.

Investment.—In this country, the banks supply trade and industry with funds for current expenditure, but very little capital for permanent investment comes from this source. Fixed capital is obtained from the public through the flotation of companies and the issue of shares or debentures. Here the work of the professional company-promoter is of supreme importance. He directs the savings of the public into profitable channels, and finds financial backing for the exploitation of inventions and new processes and for the reorganization and extension of businesses. It is true that many company-promoters are dishonest men, that many more make exorbitant charges for their services, and that company-promoting remains one of the easiest and safest methods of robbing the public. But these considerations should not blind us to the importance of the genuine company-promoter's function. His services to production are indispensable. As Marshall says, 'there are few who do more to increase the efficiency of labour in creating material wealth than an able and upright company-promoter'.[3]

[1] Normally, the inflow of gold into a country sends up domestic prices. Imports are encouraged, exports checked and the balance of trade becomes unfavourable. Thereupon the surplus gold flows out again.

[2] In 1934, the countries remaining on the gold standard were the United States, France, Belgium, Holland, Switzerland, Poland and Lithuania.

[3] Marshall, *Industry and Trade*, p. 331.

In the flotation of a company, law and custom prescribe the observance of certain formalities. A prospectus is published of which a copy must be filed with the Registrar of Companies. The issue of shares is generally underwritten, i.e. blocks of shares are taken up by firms of brokers, who undertake to sell them to the public, holding themselves responsible for unsold shares. Occasionally, shares may be disposed of through an issuing house. With domestic issues, this is not very common, but it is the regular practice in regard to foreign loans. Most of the foreign business in London is done by about half a dozen issuing houses, Rothschild, Morgan, Baring, Schroder, Hambro and Lazard. For 1933, the total of new issues was £132,869,000, divided according to destination as follows:

United Kingdom	£95,059,000
Empire	£29,814,000
Foreign	£7,996,000

Overseas investment represents 28·5 per cent. of the total. In 1931, it was 52 per cent. For more than a century, Britain has been regularly exporting capital. The total value of her overseas investments was estimated in 1913 at £3,714 millions; in 1932, at £3,355 millions.[1]

The Stock Exchange.—In the investment system, stock exchanges play an essential part. Investors will not buy shares readily, if there is no machinery through which they can dispose of them and realize their capital at need. This want is supplied by the Stock Exchange. It is a market for the buying and selling of shares. In London, dealing in stocks became common about the beginning of the eighteenth century. The effects traded in were mainly government bonds and the shares of a few privileged companies like the East India Company. Dealers at first met in the neighbourhood of Change Alley, in coffee-houses or in the open street. Then, in 1773, the name of Stock Exchange was given to Jonathan's Coffee House in Sweetings Alley and a charge of sixpence was made for admission. Finally a special building was erected in Capel Court and entrance was reserved to sub-

[1] Ripley, *Short History of Investment*, p. 175, and article by Sir Robert Kindersley in *Economic Journal*, September 1934.

scribing members. At this time, the membership was about 500. A century later, it had swelled to 5,000, and the value of the shares dealt in annually was over £10,000 millions. Stockbrokers are divided into two classes, jobbers and brokers. The jobbers trade in the Stock Exchange itself with the brokers or with other jobbers. The brokers transact business direct with the public. In addition to the London Exchange, there are about twenty provincial exchanges at centres like Manchester, Birmingham, Glasgow, Belfast, &c.

Taxation.—During the last hundred years, the most significant development in regard to taxation has been the growing tendency to substitute direct taxes for indirect. This represents a shifting of the burden of taxation from the poor to the rich. The nineteenth century started with a prejudice in favour of indirect taxes. They were easily levied and collected; they pressed lightly on a large number of points; and they were to a certain extent optional, if not imposed on necessities. In 1813–14, customs, excise and stamp duties produced £43,434,000; other taxes, £21,618,000; that is, more than two-thirds of the revenue was raised from indirect taxes. In 1903–4, this proportion had fallen to a half, in 1914 to two-fifths, and in 1919 to less than a third. The free trade movement and the successive purgings of the tariff were largely responsible for this decline. So also was the simplification of the excise. The number of commodities subject to excise duty was greatly reduced. Between 1825 and 1861, salt, leather, candles, starch, bottles, glass, bricks, soap and paper were struck off the list. In the later nineteenth century, the excise became almost exclusively a tax on alcoholic liquors. Meanwhile, new and heavier direct taxes had been introduced into the budget. Of these, the most important was the income tax, which ultimately became the sheet-anchor of British finance. In the eighteenth century, opposition to an income tax was strong, chiefly on account of the intolerable inquisition into a man's private affairs which it was thought to involve. Adam Smith condemned it, and it was only with the greatest difficulty that Pitt in 1798 prevailed on Parliament to accept it as an emergency war measure. During the Napoleonic Wars, income was taxed at rates varying from 1*s.* to 2*s.* in the pound,

but on the conclusion of peace, Parliament insisted that the income tax should be abolished. For another quarter of a century it lay dormant, until revived by Peel in 1841. Peel asked for an income tax at 7*d.* in the pound for three years to meet the deficit which was likely to be caused by reductions in the customs duties. Cheapness in time would produce increased consumption and then the income tax could be dispensed with. Peel stressed the temporary character of the tax, but this time it had come to stay. Its existence was prolonged on various pretexts, until after 1874, when Gladstone made a last attempt to abolish it,[1] it was tacitly accepted as a permanent part of the taxational system. In 1907, differentiation between earned and unearned incomes was introduced, and in 1909 the principle of graduation was adopted, a supertax being levied on incomes over £5,000 a year. The rate which was at one time as low as 2*d.* (1874–6) rose to 1*s.* in 1907 and to 6*s.* during the war. Since then, it has fluctuated between 4*s.* and 5*s.* About a third of the national revenue is provided by income tax.

The death duties are another important example of direct taxation. In 1796, Pitt imposed a legacy duty which was extended into a succession duty by Gladstone in 1853. It was reserved for Harcourt in 1894 to make practically every form of real and movable property liable to death duty. In 1907, and again in 1909, the rates were greatly increased, and to-day about 10 per cent. of the revenue on an average is obtained from this source.[2]

The National Debt.—During the nineteenth century, the volume of the public debt grew steadily. Military expenditure was chiefly responsible for the increase. Every war sent the National Debt up with a bound. Between 1793 and 1815, it rose from £245 millions to £834 millions. The Crimean War (1854–6) put it up from £771 millions to £832 millions; the South African War (1899–1902) from £629 millions to

[1] If returned at the general election of 1874, Gladstone undertook to abolish the income tax, but his party was beaten at the polls.

[2] Since the adoption by Britain of a tariff in 1932, the proportion of the revenue derived from indirect taxation has naturally increased. In 1924–5 it was 27 per cent.; in 1933–4, about 43 per cent.

£770 millions; the Great War from £651 millions to £7,832 millions. In time of peace, various sinking funds operated to reduce the dead-weight of the debt. Pitt's Sinking Fund was most unwisely continued during the war years, when there was an annual deficit, so that the Fund had to be maintained by borrowing. Money was borrowed at high rates of interest to extinguish loans contracted at low rates, an absurd policy which increased instead of diminishing the weight of the debt. In 1829, Pitt's Sinking Fund was abolished, and what came to be called the Old Sinking Fund was established, by which the surplus revenue of any year was automatically applied to the extinction of the debt. This was the only regular provision for debt redemption until Northcote instituted his New Sinking Fund in 1875. A fixed sum, larger than the debt charge, was set aside annually, and the surplus was to be applied to the purchase and cancellation of government bonds. By this means, the proportion of the fixed sum used for debt redemption would automatically increase. Finance ministers, however, seldom show much enthusiasm for debt reduction. The Old Sinking Fund was frequently raided, and the sum annually contributed to the New Sinking Fund was gradually reduced from £28 millions in 1875 to £23½ millions in 1914. During the Great War, the Sinking Funds were naturally suspended, but they were restored on the conclusion of the peace. After one or two experiments, a return was made to Northcote's plan. An annual sum, in excess of the debt charge, was assigned for the service of the debt, both for the payment of interest and the extinction of capital. This was fixed in 1928 at £353 millions.

One other way in which the burden of a public debt may be lightened is by reducing the rate of interest payable. A series of debt conversions in 1822, 1830 and 1844 brought down the interest charge from 5 to 3 per cent., and it was reduced further by Goschen's great conversion scheme of 1888, first to 2¾ and then (after 1903) to 2½ per cent. The tremendous borrowings of the Great War forced the rate up to 5 per cent. again, but a period of low interest rates after the slump of 1929 made another reduction possible. In 1932, £2,000 millions of 5 per cent. War Loan were converted into

$3\frac{1}{2}$ per cent. stocks, reducing the debt charge by £30 millions a year.[1]

FURTHER READING.—Andreades, *History of the Bank of England*; Feavearyear, *The Pound Sterling*; Rees, *Fiscal and Financial History of England, 1815–1918*; Cannan, *The Paper Pound of 1797–1821* (a reprint of the Bullion Report); Gregory, *British Banking Statutes and Reports, 1832–1928*; Ripley, *Short History of Investment*; Jenks, *Migration of British Capital to 1875*; Hirst, *History of the Stock Exchange*; Acworth, *Financial Reconstruction in England, 1815–22*; Hargreaves, *The National Debt*; Mallet, *British Budgets*; Northcote, *Twenty Years of Financial Policy* (1862).

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[1] In 1934, the practical repudiation by the British government of its debt to the United States (valued at £920 millions) reduced the debt charge still further. In accordance with the resolution of the Lausanne Conference (1932) that reparations and inter-governmental debts should come to an end, Britain sacrificed about £1,200 millions owing to her by Continental countries, as well as her share in German reparations. The United States refused to come into this arrangement, which left Britain no alternative except to default.

CHAPTER XXIX

LAISSEZ-FAIRE AND SOCIALISM

Individualist Economics.—Laissez-faire, or the theory that State interference with the economic activities of the subject should be reduced to a minimum, was fed from a number of sources. The robust individualism of the new manufacturers who desired neither State aid nor State regulation; the criticism by Radicals of existing inept or corrupt governments; Benthamism and the utilitarian philosophy of which belief in *laissez-faire* was 'in practice the most potent and vital principle'; [1] each of these made its contribution. But the chief intellectual support of the new creed was the classical political economy, which was born with Adam Smith and reached its highest point of influence between 1800 and 1850. Down to the eighteenth century, as we have already observed, economic speculation was always concerned with some practical object, with the application of ethical rules to economic activity or the devising of policies to make the nation rich. The scientific standpoint was only reached with Adam Smith (1723-90). He was the first to survey the economic system with an impartial eye, and to reveal the orderly plan which lay beneath its outward complexity. His demonstration of the fundamental simplicity of the economic mechanism came with something like a shock to contemporaries. A few easily intelligible conceptions were sufficient to explain its working; division of labour, exchange, the enlightened pursuit of self-interest. The price-index acted as a marvellous regulator of economic activity. It showed producers where they could sell dearest and consumers where they could buy cheapest. Supply responded to demand, and competition among producers reduced costs

[1] Dicey, *Law and Public Opinion in England*, p. 145.

to the lowest possible level so that society obtained the benefits of cheapness and plenty. In their search for private gain, producers promoted the general welfare. By means which could only be described as providential, the interests of individuals and of the community coincided. An ' invisible hand ' overruled the efforts of private persons for the public good.

It is hardly surprising that, having discovered the secret of the economic mechanism to lie in free competition, the economists should be tempted to exalt this force into a beneficent agency and to regard with suspicion anything that interfered with its operation. From one point of view, the *Wealth of Nations* (1776) is a pæan in praise of natural, or as we should say, economic liberty. Successive generations of economic writers caught up and re-echoed the strain. Through all the writings of the early classical school runs the presumption that State intervention is an evil. Yet the economists were never blind adherents of *laissez-faire*. Adam Smith admitted many exceptions to the ' natural law of liberty ' and the same is true of his immediate successors. Ricardo and Malthus approved of protection to agriculture. Tooke, M'Culloch, Newmarch and Senior supported the Factory Acts (the last after a preliminary period of opposition). It was rather the popular partisans of the new political economy who were the uncompromising individualists and who spread abroad the notion that any interference with competition was a breach of economic law. The economists themselves were much less dogmatic. Yet the general effect of their influence was to strengthen the belief that the less the State did the better and to confirm the ascendancy of the doctrine which Huxley appropriately nicknamed ' administrative nihilism '.

Now that *laissez-faire* as a theory and as a policy has become so thoroughly discredited, it is well to remind ourselves that the motives of its first supporters were beyond reproach. Like their socialist opponents, they wished to secure for the producer the full enjoyment of the fruits of his labour. This could only be achieved by circumscribing the powers of the government. In the early nineteenth century, the State appeared not as a beneficent despot but as an

instrument of extortion, which taxed producers in order to provide pensions and sinecures for the idle rich and doles for the thriftless poor. To limit its activities was to protect the industrious classes from the parasites who preyed on them. It must be granted that in certain simple states of society, in a new country for instance where land is abundant, the application of *laissez-faire* principles would probably produce salutary results. Freedom to labour would be a reality and labour alone would be the title to wealth. But in the complex, industrial civilizations of the nineteenth century, things were not so simple. Land was scarce and the instruments of production were the monopoly of a few. The labourer's right to existence became dependent on the will or caprice of the owners of accumulated wealth, and the concerted action of society was required to protect him against exploitation.

Laissez-faire in Practice.—The influence of *laissez-faire* on economic legislation was partly salutary, partly mischievous. It rendered society a service by sweeping away the relics of archaic systems of regulation which had no longer any relevance to economic conditions. One by one the monopolies of the great trading companies were cancelled. The exclusive privileges of the craft gilds, long obsolete in practice, were legally abolished in 1835. What was left of the code for the regulation of the cloth industry was wiped out in 1821. The restrictions on the emigration of artisans were removed in 1825 and those on the export of machines in 1843. In 1836, the Assize of Bread went; in 1844, the laws, long obsolete, against engrossing and regrating. The usury laws were repealed in 1854. In Scotland, the statutes for the regulation of the linen industry were annulled in 1823 and the Board of Trustees which had administered them was dissolved. The trading monopolies of royal burghs, guildries and incorporated trades were taken away in 1846.

Socially, however, the influence of *laissez-faire* was less advantageous. It deprived the working classes of many laws that had helped to maintain their standard of life. The Statute of Apprentices was repealed in 1813–14. In 1824, the Spitalfields Acts (1773), which had set up machinery for the fixing of wages in the London silk industry, were taken

off the statute-book. The laws against gig-mills and other forms of labour-saving machinery were allowed to become obsolete. At the same time, the proposals made from several quarters for the State regulation of wages were rejected by Parliament. In 1795, and again in 1800, Samuel Whitbread, the Radical brewer, in vain demanded a minimum wage for agricultural labourers. A similar request put forward by the Lancashire cotton weavers met with no better fate. Pitt, in response to the demand, passed two unsatisfactory Cotton Arbitration Acts (1800 and 1804), which never worked and were probably never intended to work. A direct proposal for a Minimum Wage Bill was defeated in Parliament in 1808. This doctrinaire attitude of the legislature was most unfortunate. A valuable opportunity was lost of setting up permanent machinery for the settlement of trade disputes, which might possibly have averted the bitter industrial warfare of the nineteenth century. Working-class opinion was favourable at this time to conciliation and arbitration. But the attitude of Parliament threw the workers back on their unions and compelled them to rely on the barbarous weapon of the strike to secure consideration for their grievances. In time, they became so wedded to trade union methods that they refused to abandon them even when Parliament and the employers had become favourable to industrial conciliation. This is the penalty which later generations have had to pay for the short-sighted policy of the legislators of the early nineteenth century.

Critics of Laissez-faire.—The reaction against *laissez-faire* was unwittingly commenced by the economists themselves. Their unflinching realism revealed flaws in the economic system, which made it hard to believe in the unqualified advantages of individualism. Ricardo (1772–1823), in his *Principles of Political Economy and Taxation* (1817), painted a sombre picture of future economic development. With the increase of population, inferior soils would have to be resorted to. Food prices would rise and with them the rents of the landowners. The labourers would not benefit, because their growing numbers would always keep their wages from rising much above subsistence level. But their monetary wages would necessarily increase with the growing dearness of food,

and these higher monetary wages would have to be met by the manufacturer out of his profits. Hence in a progressive society, and by a progressive society the economists meant one in which population was always increasing, the benefits of progress would be monopolized by a single class, the landlords. The economic position of other classes would remain the same or else deteriorate. To Malthus (1766–1834), the economic outlook was shrouded in even deeper gloom. His famous *Essay on Population* (1798) laid down the general proposition that population constantly tends to outstrip the means of subsistence and is only prevented from doing so by the action of the natural checks, misery and vice. In the second edition of his work (1803), Malthus recognized the operation of a third check, moral restraint, by which he did not mean birth control (though some of his followers like Francis Place advocated the use of contraceptive methods) but the postponement of marriage until the male partner is in a financial position to rear a family. Malthus, however, apparently did not attach much importance to this voluntary check, and seemed to think that Nature's more drastic remedies would always be required to keep population within proper limits. It follows then that social happiness and the perfect social state are beyond the reach of mankind. Every utopia contains within itself the seeds of its own destruction. In time, the swelling tide of population will sweep it away and restore the desperate struggle for existence which its founders sought to banish. The *Essay on Population* is a terrible book. Never was there, in Bagehot's words, a better 'apparatus for destroying cheerfulness'. Yet conclusions might be drawn from it that Malthus did not intend. If Nature left to herself produces such lamentable results, there is very little to be said for a policy of leaving things alone. Man must try to become the master of his fate, and in his struggle with his environment, why should he refuse to avail himself of the aid to be obtained from collective social action?

The effect of these pessimistic teachings on sensitive minds is strikingly illustrated in the intellectual history of John Stuart Mill (1806–73), author of a famous text-book, the *Principles of Political Economy* (1848). Mill was suckled in the creed of the Benthamites and started life with a firm

belief in individualism. This he was gradually compelled to abandon. Even in the *Principles*, he is acutely conscious of the imperfections of the economic system, though he hopes they may be corrected by the development of co-operative production, the taxation of rent and the limitation of bequest. But in his posthumous works, he went almost completely over to socialism.[1] Mill's conversion is significant of the criticism of the existing system which was implicit in the classical political economy.

While the foundations of *laissez-faire* were thus being sapped by those who were supposed to be its friends, a direct frontal attack was launched against it by the little group of thinkers who are generally referred to as the early English socialists. With one exception, they were members of the *bourgeoisie*, the class from which, paradoxically, most of the leaders and theorists of socialism have come. Charles Hall (*c.* 1745–*c.* 1825) was a doctor; Robert Owen (1771–1858) a prosperous manufacturer; William Thompson (1785–1833) an Irish landowner; John Gray (1799–1850) a commercial traveller; Thomas Hodgskin (1787–1869) a half-pay Naval lieutenant; John Bray (early nineteenth century) a journeyman compositor. The ideas of the group owe much to Ricardo, especially to his loosely stated theory that labour is the source of value. From this they proceeded to draw a sharp distinction between the producing and the non-producing classes, the capitalist being reckoned among the drones of the hive. On the constructive side, the thinking of these pioneers was weak. Their practical remedies were vague and impracticable; e.g. redistribution of landed property, foundation of co-operative villages; manipulation of social credit. Owen is the most interesting figure of the group, though intellectually perhaps the weakest. His social philosophy is a curious mixture of advanced and retrograde ideas. In his repudiation of moral responsibility, his belief that man is the creature of his environment, his mechanical view of society, his intellectual arrogance and his authoritarianism, Owen is a true child of the eighteenth century. But in his attitude towards social problems, his confidence that the evils of

[1] In his *Autobiography* (1873) and his *Chapters on Socialism* published in the *Fortnightly Review* (1879).

industrialism can be eradicated by concerted action, his vision of a perfected social state, he was far in advance of his age. It is this unshakable belief in social progress that distinguishes Owen from his contemporaries and constitutes his chief title to fame. With him, socialism descended from the study into the street. 'Owenism', says Professor Foxwell, 'left the English people saturated with a faith in progress and a tradition of social perfectibility which are still fresh and vigorous, and which are a never-failing source of inspiration to popular social effort.' [1]

Karl Marx (1818–83).—No historical survey of socialism can omit a reference to Marx, least of all a survey of English socialism. Marx spent most of his life in this country, was a diligent student of English conditions, and drew much of his inspiration from the early English socialists. The first volume of his great work, *Capital*, was published in 1867, the two remaining volumes after his death. In this book, Marx set himself to do two things; to analyse the working of the economic system, and to frame a theory of economic evolution. His object in the first part of his task was to discover how the labourer is exploited and why he tamely submits to it. His explanation is briefly as follows. Labour (following Ricardo) is the source and measure of value. The value of the worker's *labour-power* (not his labour), which is what he sells to his employer, is measured by the amount of labour required to produce it, or in other words, the amount of labour required to produce the food, clothing, housing, &c., which the labourer needs to keep him in a condition of working efficiency. This he receives in wages, and in one sense he is not cheated, since he is paid the exact equivalent of his labour-power. Hence the labourer's submissiveness. But he is exploited all the same, because his *labour* produces more value than the value of his *labour-power*. If he works 10 hours daily, during only 5 of these, perhaps, is he producing the food and other commodities which he needs himself. During the other five hours, he is producing *surplus-value*, which his employer keeps as profit. This theory contains

[1] Introduction to Menger, *Right to the Whole Produce of Labour*, p. 94. For details of Owen's life, see the biographies by Podmore and Cole.

much fallacious reasoning, even if the assumptions on which it is based are granted. In particular, if pushed to its logical conclusion, it leads up to a dilemma. Marx maintains throughout that only human labour produces surplus-value. Machines merely reproduce their own value. Why, then, use machines? Because, by cheapening goods, they reduce the part of the working-day during which the labourer is working for himself and not for his master. In this indirect way, machines increase surplus-value. Yet since they do not do so directly, it follows that a business which has most of its capital invested in machines should earn a smaller profit than a business which employs a large amount of hand-labour. But, of course, the direct contrary is the case. In this way, Marx's reasoning ends in a contradiction, which neither he nor his followers have been able to explain away.

As an historian, Marx inspires greater respect than as an economist. His *Materialist Conception of History* states an important truth, though in an exaggerated form. The whole course of history, he holds, is determined exclusively by economic factors. A succession of class wars has marked the transition from one economic system to another. Feudalism gave way to capitalism when the *bourgeoisie* overthrew the feudal nobility, and capitalism will make way for socialism, when the *bourgeoisie*, in its turn, is overwhelmed by the proletariat. This culminating development will be preceded by a steady concentration of capital resources, the big businesses devouring the small, until the control of industry is in the hands of a few multi-millionaires and the proletariat is reduced to the last extremity of degradation. Then the hour of social revolution will strike. The proletariat will rise against its oppressors, the expropriators will be expropriated, and the State will assume complete control of the machinery of wealth production. Marx deserves credit for having detected as far back as the eighteen-sixties the operation of the great law of capitalist concentration, and he was right in emphasizing the importance of economic motives in determining the public and private conduct of men. But his theory rests on too narrow a basis to serve as an adequate interpretation of human history. The economic factor explains much, but it does not explain everything. There are

important phases of human thought and feeling to which it has no relevance whatever. The Materialist Conception of History is a brilliant guess at the truth. But it is far from being the whole truth.

In England, Marx's ideas were popularized by H. M. Hyndman, founder of the Social Democratic Federation (1881). This revolutionary body was soon torn by dissensions, and a secessionist movement, headed by the poet, William Morris, resulted in the formation of the Socialist League (1884). The League was captured by anarchists, and in 1890 Morris withdrew. Meanwhile the Federation pursued its stormy career. Successive disruptions led to the formation of the Scottish Socialist Labour Party (1903) and the Socialist Party of Great Britain (1905). In 1911, the Federation took the name of the British Socialist Party. After the War, all these Marxist groups came together and formed in 1921 the British Communist Party which is now the official exponent of Marxian politics in this country.

Fabian Socialism.—The manifold imperfections of Marxian theory provoked critical movements among socialists such as Bernstein's *revisionism* in Germany and Fabianism in England. The Fabian Society (1884) took its name from the Roman dictator, Fabius Cunctator, the 'delayer', and the title was meant to symbolize the cautious policy of permeation, by which the members hoped to undermine the foundations of capitalism. The Fabians were evolutionists, not revolutionists. Most of them were middle-class intellectuals, civil servants, university teachers, men of letters. Prominent among the leaders were Sidney Webb (later Lord Passfield) and Bernard Shaw. Like Marx, the Fabians drew their arguments from history and from economics. In their economic reasoning, they discarded the unsatisfactory Ricardian law of value but laid stress on the Ricardian law of rent, and their chief criticism of the existing system was based on the large proportion of the national income which was absorbed by non-producers in the shape of rent and interest. The historical argument for socialism, they found, not in the law of capitalist concentration, but in the great extension of State activities which had taken place since the early nineteenth century, resulting in the nationalization and

municipalization of important social services like the post office, the tramways, the supply of gas and water. Carried to its logical issue, this tendency would bring all economic activities under social control, and therefore the Fabians prophesied the advent of socialism with almost as much confidence as Marx. Later development, however, has not fulfilled these anticipations. The extension of State and municipal enterprise has tended to stop short at the point at which it would transform the economic basis of society. It has confined itself to certain monopoly services and has not penetrated the more competitive branches of trade. A slight note of disillusionment is discernible in some recent pronouncements of the elder Fabians.[1] They seem to realize that the tendency on which they placed so much reliance has not fulfilled its promise.

Fabianism has supplied most of the orthodox socialist societies and parties in this country with their intellectual creed. State socialism or the collective ownership of the means of production is the programme of the Independent Labour Party (1893), of the Trade Union Congress (since 1894) and of the British Labour Party (since 1914).[2]

Guild Socialism.—This movement developed about 1910 as a protest against the bureaucratic tendencies of the older Fabians and the servile society which State socialism seemed to threaten. Its leaders were a number of journalists and academic teachers, A. R. Orage, S. G. Hobson, A. J. Penty and G. D. H. Cole. The new theory proposed that production should be controlled by associations of producers (an idea borrowed from French syndicalism), but alongside these producers' guilds, based on industries, there should also be consumers' guilds based on locality. The State (which French syndicalists wished to abolish) should be retained to act as arbiter between the conflicting claims of producers and consumers. About 1920, a practical experiment on these lines was attempted. Builders' guilds were formed at Manchester, London and elsewhere, but after two years of fair success,

[1] See e.g. Pease, *History of Fabianism*, pp. 240–3.

[2] Since the War, the I.L.P. has moved more to the left. In 1932, it seceded from the Labour Party and opened up negotiations with the Communists.

they came to a disastrous end in 1922. Since then, guild socialism, on the confession of its own supporters, has ceased to be an effective political or social force.[1]

Fascist Economics.—Fascism, as a political movement, is a reaction against socialism and the growing power of the proletarian parties, but its economic programme, like that of its opponents, implies a criticism of the existing system and contains proposals for its reconstruction. In this country, the movement is represented by the British Union of Fascists, founded in 1932 by Sir Oswald Mosley, a former Conservative and Labour M.P.[2] The economic proposals of this body may be briefly summarized. Fascists are uncompromising economic nationalists. They wish to terminate the régime under which Britain depends for its existence on the sale of its manufactures abroad. The need to capture foreign markets leads to suicidal competition, with constant cutting of costs and wages, producing a steady deterioration in the workers' standard of life. Under Fascism, foreign trade will be used merely as a means of procuring essential raw materials which the nation cannot produce for itself, and it will be confined as much as possible to Empire countries. Outlets for our manufactured goods will be found in the home market, which will be extended and developed. The purchasing power of domestic consumers will be increased by the issue of currency and credit

> in the form of an advance upon existing wages and salaries. . . . When the point is approached where further creation of currency and credit on the same scale would cause inflation . . . it will then be possible to unload the higher wage standard by degrees upon the employer, who will be enabled to pay the higher rate with no undue advance in prices owing to the greater demand for goods and the general improvement of trade.[3]

In this way the home market will prove an effective substitute for the foreign market. Industry will be reorganized on the

[1] See Cole, *Short History of the British Working-Class Movement*, Vol. III, p. 190.

[2] He was a Conservative M.P. from 1918–24, and a Labour M.P. from 1926–31. In 1931, he started the New Party, which he transformed into the British Union of Fascists in the following year.

[3] A. Raven Thomson, *Economics of British Fascism* (pamphlet), p. 7.

corporate system. Separate industries will be controlled by corporations representing employers, workers and consumers, and a National Council of Corporations, consisting of representatives from the individual corporations, will co-operate with the government in the direction of economic policy. Capital savings and investment will be supervised by a National Investment Board, which will secure the capital necessary for the development of home industries and will seek to organize public works in times of depression. 'The policy at which we aim', declares Sir Oswald Mosley, 'is Autarchy or that of the self-contained Nation and Empire.'[1] Two important currents of post-war opinion mingle in this programme of Fascism, economic nationalism and the desire for economic planning by the State.

FURTHER READING.—Dicey, *Law and Public Opinion in England*; Gray, *Development of Economic Doctrine*; Gide and Rist, *History of Economic Doctrines*; Beer, *History of British Socialism*; Hearnshaw, *Survey of Socialism*; Menger, *Right to the Whole Produce of Labour*; Beales, *The Early English Socialists*; Shadwell, *The Socialist Movement, 1824–1924*; Bertrand Russell, *Freedom and Organization, 1814–1914*; G. D. H. Cole, *Some Relations between Political and Economic Theory*; Mosley, *The Greater Britain.*

[1] *The Greater Britain*, p. 131.

CHAPTER XXX

SOCIAL LEGISLATION

State Intervention.—The strong prejudice against State action created by the teaching of the economists and the Benthamites was gradually broken down in the course of the nineteenth century. Englishmen, with their practical common sense, refused to let their hands be tied by a mere theory, when the obvious remedy for a palpable abuse was a legislative measure. Philanthropists were revolted by the heartlessness of a doctrine which taught that social evils were inevitable or at least incurable. Writers like Southey, Dickens, Carlyle and Ruskin headed a literary crusade against *laissez-faire.* And finally the philosophers came to the aid of the humanitarians and provided them with a theory to oppose to the harsh logic of the individualists. The great argument against State interference had always been the restraint it imposed on personal liberty. Now the flank of this objection was turned by the Oxford philosopher, T. H. Green (1836–82), who argued that State intervention was often necessary to remove the social obstacles to personal freedom, freedom being interpreted not as absence of restraint but as the full expression of personality. The neo-Hegelian philosophy which reigned in the British universities at the close of the nineteenth century took a much more exalted view of the State and its functions than the utilitarian theory which it superseded. And the movement of thought was reflected in the attitude of the economists. The general presumption against the wisdom of State action was abandoned.

Jevons, the leading economist of the generation after Mill, took the common-sense view that every case must be decided on its merits. In a little book which had con-

siderable influence, *The State in its Relation to Labour* (1882), he declared:

> I conceive that the State is justified in passing any law or even in doing any single act which, without ulterior consequences, adds to the sum total of happiness. . . . The liberty of the subject is only the means towards an end; it is not itself the end; hence when it fails to produce the desired end, it may be set aside and other means employed (pp. 12–13).

In this way, a theoretical justification was provided for a tendency which had proceeded great lengths when Jevons wrote and was to be still more widely applied after his death. We shall, in this chapter, examine some of the ways in which the modern State has interfered with economic activity in order to raise or protect the standard of life of the economically weaker classes.

THE POOR LAW

The Old Poor Law.—The Poor Law is one of the oldest examples of State interference, and we have already traced its development down to about the year 1780. About this time, a new and important phase of Poor Law history began. For over 50 years, Poor Law administration was marked by laxity and want of system; the ratepayers' money was wastefully distributed in various forms of outdoor relief; and the burden of Poor Law expenditure became heavier and heavier. The new spirit that prevailed among Poor Law administrators is illustrated by Gilbert's Act (1782). Gilbert, M.P. for Lichfield, was an excellent example of the humane country gentleman of the time, benevolent, philanthropic and genuinely concerned about the condition of the poor. His Act made one important administrative improvement. Parishes were allowed to group themselves in unions, thus creating the larger administrative areas which experience had shown to be necessary. But an innovation of more doubtful value was the provision that able-bodied poor should be given work by the authorities or else maintained in their own homes. Gilbert's Act was only optional. Less than 1,000 of the 16,000 parishes of England adopted it. But the provision in favour of indiscriminate outdoor relief was given universal application by a statute of 1796. The

independent action of the local authorities extended and developed the policy of the legislature. In 1795, the justices of Berkshire, meeting at Speenhamland, resolved to pay allowances to labourers in aid of wages, the amount to vary with the price of bread and the size of the labourer's family. Other Poor Law authorities copied this decision to such an extent that it was nicknamed the 'Speenhamland Act of Parliament'. This great extension of outdoor relief sent up Poor Law expenditure from 5*s.* per head of the population in 1784 to 8*s.* 11*d.* in 1804 and 13*s.* 3*d.* (the peak point) in 1818. The poor-rates became an intolerable and crushing burden.

During the early years of the nineteenth century, the Poor Law was a topic of violent public controversy. The attack on it was led by the economists, who dwelt on the unwisdom of the allowance system, which, they alleged, gave an unhealthy stimulus to the growth of population, besides permitting the employer to shift part of his wages-bill on to the ratepayer. Malthus went so far as to demand the abolition of the Poor Law altogether. No man, he declared, 'has a right to subsistence when his labour will not freely purchase it'. These criticisms had point so far as they referred to the unintelligent methods of relief practised by the local justices. But they overlooked one vital element in the problem—the vast amount of able-bodied unemployment created by the Enclosure Movement in the villages and by the Industrial Revolution in the towns. Unless the unemployed were to be left to starve, they must receive relief in some form, and there was no agency except the Poor Law to supply it. Local administrators can hardly be blamed for using the instrument which lay ready to their hand, and if they appeared to err on the side of generosity, it must be remembered that the need was great. Malthus's proposal to abolish the Poor Law would not only have caused hideous suffering but might have produced a social uprising. In the life-and-death struggle with Napoleon, as Canning testified, it was the Poor Law that preserved England from revolution.

The New Poor Law.—Reform of the Poor Law was delayed till the accession of the Whigs to power in 1830. In 1834, an investigating commission published a famous report

which reproduced without much qualification the strongly individualist views of the Poor Law reformers. The commissioners refused to admit that there was a surplus of labour either in town or country. Their reading of the situation was simple. Muddle-headed administrators were allowing the lazy poor to sponge on the industrious classes. And the remedy was equally simple. Abolish outdoor relief for the able-bodied and institute a penal régime in the workhouses which would make the situation of the pauper more miserable, or, as the commissioners preferred to say, 'less eligible' than that of the independent labourer. The Whig government acted promptly on these suggestions. The Poor Law (Amendment) Act (1834) took administration out of the hands of the justices and entrusted it to elected boards of guardians, who, it was hoped, would be more careful with the ratepayers' money. Parishes were compulsorily grouped into unions, each with its board of guardians and its workhouse. To secure national uniformity and ensure that the guardians did their duty, a central Poor Law Commission was set up with extensive powers of inspection and audit.

The Commission consisted of three members, 'the three bashaws of Somerset House', but the most active among them was George (later Sir George) Nicholls, who had served as overseer in the little Nottinghamshire town of Southwell, where he had effected a big reduction in Poor Law expenditure by a rigorous application of the workhouse test. The methods which had proved so successful in Southwell were now to be applied to the kingdom at large. Yet the task did not prove so simple as the commissioners had anticipated. For one thing it was necessary to wait until the new union workhouses, the 'bastilles' as the poor called them, were built. On this account, an outdoor relief prohibitory order, prematurely issued in 1835, had to be withdrawn. Then vigorous resistance to the policy of the commissioners developed in the northern industrial districts. Tory factory reformers joined with Radical chartists in denouncing the inhumanity of the Poor Law, and the chorus of disapproval was swelled by men of letters like Dickens, who satirized the new boards of guardians in *Oliver Twist* (1838), and Carlyle, who grimly suggested arsenic as a simpler method of getting rid of

paupers.[1] The commissioners, who were well-meaning men, were considerably taken aback by this show of opposition, and were induced by it to divert most of their attention from the towns to the rural districts, where the agricultural labourer, prostrate after the savage repression of the agrarian riots of 1830, was in no condition to offer resistance. Here the new policy was applied systematically and ruthlessly. Outdoor relief was cut off and the agricultural labourer was driven off the rates. The suffering which accompanied the application of this drastic social surgery was in part mitigated by the development of railway building and the general expansion of industry which provided fresh outlets for employment and drained the rural parishes of their surplus labour. In the towns, however, the complete application of the commissioners' policy was found impracticable. To the Outdoor Relief Prohibitory Order of 1844, numerous exceptions had to be allowed, and during periods of industrial depression, the guardians were authorized to give relief to the able-bodied outside the workhouse, provided some kind of labour was exacted in return. From this arose the labour-yards attached to workhouses in industrial towns. In 1849, out of a total of more than a million paupers, only 133,000 were being relieved inside the workhouse. Yet the commissioners could congratulate themselves on having effected a considerable reduction in the amount of pauperism and in the expenditure on poor relief. In 1831, 10 per cent. of the English population were paupers and the poor-rate was 10*s.* per head. By 1847, when the commissioners laid down their office, the percentage of pauperism had fallen to 6·2 and the poor-rate to 6*s.* 3*d.* In this year, the place of the Poor Law Commission was taken by the Poor Law Board, the President of which was a member of the government and had a seat in Parliament.

Later Developments.—During the later nineteenth century, a steady departure took place from the ideas and ideals of 1834. The grant of the electoral franchise to the working-classes, combined with the general growth of humanitarian

[1] 'In some central locality, instead of the parish clergyman, there might be established some parish exterminator; or say a reservoir of arsenic.' *Chartism* (1839), p. 66.

feeling, produced a change in the attitude of Poor Law administrators. The severity of the régime inside the workhouse was relaxed, and outdoor relief was granted more freely, despite the campaign waged against it in the eighteen-seventies by Poor Law reformers of the older school. At the close of the century, though the percentage of pauperism had fallen to 2·4, the expenditure on poor relief had risen from £9½ millions in 1880 to £15 millions in 1900. At the same time, the decline in the absolute number of paupers, which had been continuous for about 50 years, was arrested, and there was a disquieting increase in the number of able-bodied unemployed applying for relief. In these circumstances, the government appointed a commission of inquiry, which issued its reports in 1909. Up to a certain point, the commissioners were unanimous. They agreed in recommending that the area of administration should be the county or borough, and the local Poor Law authority a special committee of the county or borough council. But on deeper questions of Poor Law policy, fundamental differences of opinion were revealed. A majority of the commissioners adhered to the old theory that the treatment of the poor should be more or less 'deterrent'; a minority maintained that it should be 'preventive' or 'curative'. The minority moreover recommended that the Poor Law should be broken up and the different classes of paupers distributed among existing local authorities, pauper children, for example, to be handed over to the education committee, the sick to the health committee, the aged to the pensions committee, &c. For long, nothing came of any of these proposals, but at last, in 1930, the major recommendation of the 1909 Commission was put into force and the administration of the Poor Law was transferred to committees of the county and borough councils. Since 1919, the central controlling authority has been the Ministry of Health.[1]

These administrative changes, however, have done nothing to solve the central problem of Poor Law policy, namely, how to devise a method of relieving the poor which, without being inhumane, will diminish and not increase pauperism. Since

[1] The Poor Law Board was the central controlling authority from 1847 to 1871, the Local Government Board from 1871 to 1919.

the War, the prolonged industrial depression has added enormously to the number of persons in receipt of poor relief, despite the fact that the institution of old age and widows' pensions, and the development of health and unemployment insurance, have removed important classes of poor from the scope of the Poor Law. In 1931, the expenditure on poor relief was nearly £1 per head of the population. Between 1914 and 1933, the percentage of pauperism rose from 2·04 to 3·5 (in 1927, it was 5·26), and the proportion of paupers drawing outdoor relief increased from two-thirds to four-fifths. The decision (taking effect in 1935) to place the able-bodied poor in the care of a special Unemployment Assistance Board will simplify the work of Poor Law administrators, but it will not get rid of that hard core of pauperism, which centuries of administration and the application of so many varied policies have proved unavailing to remove.

Scottish and Irish Poor Laws.—Away back in 1579, Scotland adopted a Poor Law, the administration of which was entrusted in the counties to the justices of the peace and in the towns to the burgh magistrates. After 1672, the care of the poor in the rural parishes was taken over by the kirk sessions and the heritors.[1] The Act of 1579 had authorized the levying of a compulsory rate, but this was seldom necessary. The able-bodied were excluded from relief under Scots law, and the church collections were generally sufficient for the needs of the aged and impotent poor.[2] With the coming of industrialism, the situation changed. Parishes in urban and industrial areas found it necessary to impose compulsory rates. This tendency was vigorously combated by the Scottish clergy, and especially by the great church leader, Dr. Chalmers, who, in his parish of St. John's, Glasgow, had demonstrated the feasibility of a voluntary system of poor relief. The opposite view was supported by an Edinburgh medical professor, W. P. Alison, ' the brave and humane

[1] The kirk-session is the lowest of the Presbyterian Church Courts. It consists of the minister and an unfixed number of lay elders, elected by the congregation or by the session itself. *Heritor* is the Scots legal term for landowner.

[2] All the church collections were applied to this purpose, the minister's stipend coming from the teinds or tithes and the heritors being responsible for the upkeep of the church fabric.

Dr. Alison ', as Carlyle called him, who wrote his *Observations on the Management of the Poor in Scotland* (1840) to show the inadequacy of the voluntary system and to advocate a Poor Law on the English model. In the ensuing controversy, events decided against the clergy. The Disruption of the Scottish Church (1843), for which Chalmers was largely responsible, made an ecclesiastical system of poor relief impracticable, while the growing mass of pauperism in the industrial districts became greater than private charity could possibly cope with. In 1845, the voluntary system was abandoned and the Scots Poor Law was remodelled. A central Board of Supervision was established in Edinburgh, and local parochial boards with representatives of the ratepayers were set up in parishes that adopted compulsory assessment. The number of these steadily increased until the compulsory system became practically universal, but it is a tribute to the strength of the old ideas that down to 1930 there were still two parishes in Scotland without a compulsory poor-rate.[1] Before 1845, the Scottish form of poor relief was mainly outdoor, but now provision was made for the erection of poorhouses in parishes or combinations of parishes with a population of more than 5,000. In time, the Scottish poorhouse became a replica of the English workhouse, though this was not the original intention. For about twenty years after 1845, the principle that the able-bodied were not entitled to relief was departed from, but it was confirmed by a judicial decision in 1866, and nominally observed thereafter till 1921, when the rising tide of post-war unemployment compelled Parliament to suspend it. In 1894, the parochial boards were replaced by parish councils, which in turn gave way in 1930 to committees of the county and burgh councils. After 1894, the Scottish Local Government Board became the central supervising body, to be

[1] Moonzie in Fifeshire and Kettins in Angus. The following table illustrates the progress of assessment.

	Assessed Parishes		Assessed Parishes
1700	3	1846	420
1740	8	1894	840
1818	145	1909	870
1845	230	1930	872

superseded in 1919 by the Scottish Board (later Department) of Health.

Ireland received its Poor Law in 1838, before the ideas of 1834 had begun to suffer eclipse. On the advice of Nicholls, but in opposition to the bulk of Irish opinion, Parliament set up a system on the English model and placed it under the control of the English Poor Law Commission. The country was divided up into Unions, each with its board of guardians and its workhouse. For some years, the workhouse test was ruthlessly applied, but the outbreak of the Famine compelled a departure from this rigid rule. Thereafter the course of Poor Law administration was much the same as in England, but the agrarian character of the country, the simple habits of the Irish peasantry, and the prevalence of mendicancy helped to keep the level of Poor Law expenditure somewhat lower than in either England or Scotland. Also unlike these two countries, Ireland normally spent less on outdoor relief than on indoor. In 1847, Irish commissioners were placed in charge of the Irish Poor Law, and after 1872, their powers were transferred to the Irish Local Government Board.

FACTORY LEGISLATION

Early Factory Laws.—The movement for the legal protection of factory workers was one of the first signs of a reaction against the economic liberalism of the early nineteenth century. Its progress even during the period when *laissez-faire* was in the ascendant is explained by the opportunist policy of the factory reformers who concentrated their attention on women and child workers, legal protection of these helpless classes, it might be argued, being no infraction of the principles of individualism. State regulation of the labour of male adults did not come till the twentieth century, but meanwhile the male operatives were able to benefit by the curtailment of the hours of women and child workers, since without the aid of these, the machines could not be run. Down to about 1830, the movement was supported chiefly by individual philanthropists like Sir Robert Peel the elder or Robert Owen. In his factory at New Lanark, Owen gave a practical demonstration of the feasibility and the benefits

of shorter hours for child workers. The first Factory Act, secured by Peel in 1802, conferred a 12-hour day on parish apprentices, i.e. pauper children employed in mills. The second Factory Act (1819), for which Peel and Owen were jointly responsible, conferred on 'free' children a 12-hour day, and fixed the minimum age of employment at 9 years. Neither of these Acts had much effect. They applied only to cotton or woollen mills, and their enforcement was left to the local justices, who in factory districts were either themselves mill-owners or the friends of mill-owners.

The Ten Hours Bill.—After 1830, the question of factory reform entered on a new phase and became the subject of a great popular agitation. The male factory workers had come to realize that the shortening of the hours of women and children would curtail their working-day also. In all the northern industrial towns, short-time committees were formed, and leaders for the movement were found in a group of philanthropists, mostly Tories: Oastler, a Yorkshire land agent, known as the 'Factory King'; Sadler, Tory M.P. for Newark; Fielden, a manufacturer, the only Radical member of the group; and Ashley (later Lord Shaftesbury), who became the parliamentary leader of the movement. The object of the agitation was the legal enforcement of a 10-hour day. In 1833, an initial success was scored when the Whig government passed the first really effective Factory Act. The 1833 Act applied to all textile mills, fixed the minimum employment age at 9, restricted the working day of children under 13 to 9 hours, and of young persons under 18 to 12 hours. Most important of all, 4 inspectors were appointed to see that the law was enforced. This was the beginning of the present corps of factory inspectors, which now numbers over 200 (including 30 women).

Despite its many excellent features, the factory reformers were not satisfied with the Act of 1833 and the agitation for a 10-hour day went on. Hopes were raised in 1841 when a Tory majority was returned to Parliament, the Tories having always been more favourable on the whole to factory legislation than the Whigs or Radicals. But the members of the new Cabinet were as doctrinaire in their individualism as any of their political opponents, and the factory bill

introduced in 1844 by Sir James Graham, the Tory Home Secretary, established only a 12-hour day for women workers. In the House of Commons, Ashley succeeded in carrying an amendment which would have made the working day 10 hours, but Graham, by making the question one of confidence, forced the House to reverse its decision. Public opinion, however, had now been definitely won over to the side of the factory reformers, and when they made another attempt in 1847, after Graham and his colleagues had been driven from office, the Ten Hours Bill passed into law without difficulty. This final victory caused much rejoicing in the industrial districts, but the first results were a disappointment to the male operatives. By working the women and child workers in shifts, the employers were able to keep the machines running for 12 hours or more. The limitation by Parliament in 1850 and 1853 of the daily period during which women and children could be worked to 12 hours (6 a.m. to 6 p.m. or 7 a.m. to 7 p.m.) with 1½ hours for meals, put an end to this subterfuge and made the 10-hour day a reality for men as well as for women.

Later Developments.—With the victory of the ten hours movement, the question of factory reform passed out of its controversial stage. The opposition of the factory-owners gradually cooled, especially when they discovered that the shorter working day did not reduce output to the extent they had anticipated. The principle of factory reform came to be accepted by all sections of opinion, except for a brief period during the eighteen-seventies when it was opposed by the supporters of women's rights on the ground that it penalized female labour.[1] Apart from this temporary set-back, the extension of legal regulation to all branches of industry proceeded smoothly. Female labour was excluded from the mines in 1842. A number of dangerous or unhealthy trades were brought under control in 1864. In 1867, regulation was

[1] There is a small amount of truth in this contention. If the law does not permit women to be exploited, they will not so easily get jobs. But in actual practice, the distribution of work between men and women is determined mainly by factors independent of the legal restrictions on female labour. See the Home Office Report, *Women in Industry*, 1930 (Cmd. 3508).

extended to workshops and to *all* factories.[1] Later bake-houses, quarries and laundries were brought within the factory code.

During the last fifty years, the scope of factory legislation has greatly widened. The early factory laws dealt mainly with hours, but in 1844 the fencing of dangerous machinery was made compulsory, and since then not merely the safety and health of the workers but the sanitation and ventilation of the factories and workshops have been made the subject of legislation. Since 1891, the Home Secretary has had power on his own authority to issue regulations for dangerous trades. The minimum working age was raised successively to 10 (1878), 11 (1891), and 12 (1901). In the twentieth century, Parliament even began to regulate the hours of adult male workers. An 8-hour day was established in the mines in 1908,[2] and the Shops Act (1912) conferred a weekly half-holiday on shop-assistants, irrespective of sex. Further extensions of the factory code have taken place since the war through the influence of the International Labour Organization, a body set up in connexion with the League of Nations, to establish universal working standards. At the annual conferences of the I.L.O., resolutions are passed which the member States are invited to translate into practice by legislation. As a result of the first conference at Washington (1919), the minimum age for child workers in this country was raised to 14, the system of half-time employment, instituted in 1844, was abolished, and night-labour was forbidden to women and young persons. The main defects of the present factory code are the omission of certain classes of workers from its scope, e.g., shop-assistants and waitresses, and the obsoleteness of certain of its prescriptions, e.g. the 10-hour day.[3] There is need for further extension and

[1] The distinction between workshops and factories was made to depend first on the numbers employed (50 was the maximum for a workshop), but after 1870 on the use or non-use of mechanical power.

[2] Between 1920 and 1926, the miners had a 7-hour day.

[3] In most industries, the trade unions have secured at least a 9-hours day. The labour of shop-assistants and waitresses is regulated by the Shops Acts (1892–1934), which are enforced, not by the factory inspectors, but by the police. Except for the provisions for a weekly half-holiday, for regular hours for meals, and for the closing of shops

classification of the existing regulations. The last consolidating statute was passed as far back as 1901. Since about 1925, the Home Office has had a factory bill prepared which would strengthen and extend the existing code, but so far no government has found the parliamentary time to pass it into law.[1]

SOCIAL INSURANCE

Health Insurance.—Social insurance is a collective method, applied under the control of the State, by which the working-classes are protected from the special risks to which they are exposed, sickness, unemployment, indigent old age or premature death. The first experiment of this kind was made in 1911. The National Health Insurance Act made sick insurance compulsory on all manual workers between the ages of 16 and 70 (later reduced to 65) and on all non-manual workers earning less than £160 a year. (After the war, this means limit was raised to £250.) Employers and employed pay weekly contributions by means of stamps affixed to a card, and the State makes a grant towards the cost of the scheme. The present rate of contribution for male and female workers is 5½*d.* a week. For male workers, the employer pays 5½*d.* and for females 5*d.* The State defrays about two-ninths of the total cost (one-fourth in the case of women workers). In return for his contributions, an insured person obtains free medical attention and free medicine, in addition to sick pay ; 18*s.* weekly for men and 15*s.* for women. After the 26th week of sick pay, a weekly disablement payment of 10*s.* 6*d.*[2] is substituted. The scheme is administered through friendly societies, trade unions, and special branches of private insurance companies, all of which must be 'approved' by the Minister of Health. Every five years, a valuation is made of assets and liabilities, and societies which can show a surplus may use part of it in the payment of extra benefits to their members. This arrangement has the drawback of introducing a certain amount of inequality into

at 8 p.m. (on one day per week, at 9 p.m.), there are no restrictions on the hours worked by adults over 18. The latest Shops Act (1934) limits the working hours of young persons under 18 to 52 per week, to be reduced in December, 1936, to 48.

[1] The bill passed in 1937. It established a nine hour day.

[2] Disablement benefit for single women is 9*s.* ; for married women, 8*s.*

what is a national scheme. A royal commission in 1926 recommended a partial pooling of surpluses, but this was not acted on. Throughout most of its history, the finances of the scheme have been sound. At each of the quinquennial valuations, all save a minority of societies have been able to show surpluses. Recently, however, a slight strain has been placed on the health insurance fund by the excessive sick claims of women contributors, especially married women, and by the large number of unemployed members who have had to be excused arrears of contributions. This was partially remedied in 1932 when the sick benefit payable to married women was reduced to 10*s*. (disablement benefit to 5*s*.) and the arrears of unemployed contributors were to be excused to the extent of a half only.[1] The position of the scheme in 1938 is shown in the following table:

Insured Persons	Revenue	Expenditure	Accumulated Funds
21,588,000	£45,059,000	£40,800,000	£143,619,000

Unemployment Insurance.—A limited scheme of unemployment insurance was instituted in 1911 in connexion with three industries, house-building, shipbuilding and engineering. During the War, it was extended to munition and other workers, and in 1920 all those who came under the health insurance scheme were included within its scope, except farm labourers, domestic servants and certain grades of railwaymen. By means of stamped cards, contributions were made weekly by employers and employed, and the State met a share of the total cost. Insured persons received unemployment pay (subject to the payment of a minimum number of contributions) for a limited number of weeks in any year. Dependants' benefit was added in 1921.

The moment chosen for launching this nation-wide scheme was most unfortunate. Since 1921, the number of unemployed has been greatly in excess of what was anticipated by the government actuaries. The total has not fallen below a million and has sometimes risen above two millions. Moreover, the attempt to limit unemployment pay to a fixed number of weeks in any year proved impracticable. Insured persons who had exhausted their right to standard benefit

[1] The full excusal of arrears was restored in 1935. In 1937, juveniles under 16 were included in the scheme. Married women's weekly benefit is now (1942) 13*s*.; disablement benefit, 8*s*.

had to be paid what was ultimately called 'transitional' benefit. All this put an enormous strain on the finances of the fund, and a large debt was rapidly accumulated. In 1922, the accumulated deficit was £15 millions; in 1929, £25 millions; in 1931, £75 millions; in 1932, £115 millions. Clearly the scheme was being misapplied. It was being used to relieve chronic instead of temporary unemployment. Nevertheless, no steps were taken by Parliament to avert the threatened bankruptcy of the fund until the financial crisis of 1931. Then a desperate effort was made to make the finances of the scheme balance. Benefits were reduced, contributions raised, and the cost of transitional benefit was transferred to the State. Borrowing beyond a limit of £115 millions was stopped, all further deficits having to be met by the Treasury out of revenue. In 1932–33, the expenditure on unemployment benefit, in spite of the application of a severe means test, was £117 millions, of which all but £38 millions was met by the State. The reconstruction of the scheme was delayed until 1934. In that year, an Unemployment Assistance Board was set up to take charge of all able-bodied unemployed who were not qualified to receive benefit from the insurance fund. The cost of their relief was to be met by the State and the local authorities jointly. Expenditure was estimated at £44 millions a year, and the number of recipients at about a million, exclusive of dependants. The scale of relief fixed by the Board gives 24*s.* a week to a married man, with allowances for dependants varying according to age, from 3*s.* to 10*s.* The scheme came into force in 1935.[1]

For those still within the scope of the insurance scheme (about 16 million in number), the rate of benefit (limited to 26 weeks in any year) is 20*s.* weekly for men and 18*s.* for women, with allowances for adult dependants of 10*s.* and for children, 4*s.* The rates of contribution are 10*d.* for men and 9*d.* for women, the employer doubling the contribution in each case.[2]

Old Age and Widows' Pensions.—In 1908, a non-contributory system of old age pensions was instituted. Every person over 70 years of age became eligible for a pension of 5*s.* a week, subject to a means limit. After the War, the

[1] In Dec., 1938, the applicants to the Board numbered 588,771. During 1938, £34¾ millions were paid in allowances.

[2] In 1936 agricultural workers were included in the scheme.

pension rate was raised to 10*s*. In 1926, this scheme was supplemented and extended by the comprehensive Old Age and Widows' Pensions Act of that year. All persons within the health insurance scheme became liable for additional weekly payments of 5½*d*. in the case of men (employer's contribution, 5½*d*.) and 3*d*. in the case of women (employer's contribution 2½*d*.), in return for which each contributor (and his wife) became eligible at 65 for a weekly pension of 10*s*., irrespective of means.[1] The widow of an insured person draws a similar pension with allowances of 5*s*. for the first child and 3*s*. for younger children. In 1938, the number of insured persons under the scheme was 21 millions, with 2 million beneficiaries. The revenue was £52 millions, the expenditure, £49 millions, and the accumulated funds, £25 millions. For many years there is bound to be an annual deficit, owing to the increasing number of beneficiaries who will come on the fund without having paid contributions during the whole of their working-lives, but this is being made up by the State out of what it saves on the dwindling liability of War Pensions. In time, the scheme will become self-supporting.[2]

WORKMEN'S COMPENSATION AND WAGE REGULATION

Workmen's Compensation.—A series of Acts from 1880 onwards have established the worker's right to compensation for injury or death during his employment. Formerly, an employer could escape liability if the accident was due to the fault of the victim or to the negligence of a fellow-worker, but now there is no loophole, unless the accident was deliberately caused by the injured party. For total incapacity, half wages are paid up to a maximum of 30*s*. a week ; smaller payments are made in cases of partial incapacity. If the accident is fatal, the widow and dependants receive a lump sum varying from £200 to £600. Most employers insure with private companies against this liability, but there is no law making insurance compulsory,[3] and if the employer is in a

[1] Since 1940, the pension age for women contributors and for wives whose husbands are 65 or over is 60.

[2] A voluntary pensions scheme was established in 1937 for men with less than £400 a year and women with less than £250.

[3] Except, since 1934, in coal-mining.

small way of business, the worker may not be able to secure payment of the sum which the courts have awarded him. On this ground, there is something to be said for a comprehensive State scheme of insurance against industrial accidents.[1] In 1938, the number of industrial accidents was 445,279, of which 2,492 were fatal. The compensation money paid totalled £6,396,688.

Wage Regulation.—By a number of Truck Acts, 1831, 1887 and 1896, the State ensures that wages are paid without deduction in legal currency. These Acts are enforced by the factory inspectors. Most factory laws also contain a ' particulars section ' which compels the employer to provide his workers with particulars of their wages and the method of their calculation. The cases in which Parliament has set up legal machinery for the fixing of wages are not numerous. In 1909, trade boards, consisting of representatives of employers and of employed, with certain neutral persons, were established in four sweated industries. The number of boards was greatly increased after 1918 and their powers were enlarged. In addition to fixing minimum wage rates, they can establish a normal working day or week. In 1912, district wage boards of employers and employed were created in the mining industry, and the same method was applied to the fixing of agricultural wages during the war. After being allowed to lapse, the agricultural wage boards were revived in 1924.[2]

The enforcement of a universal compulsory system of arbitration in regard to wage disputes has proved impracticable, owing to the opposition of the trade unions, but voluntary arbitration has long been extensively practised. The first conciliation board was established in the Nottinghamshire hosiery trade in 1860, and since then the method has been widely copied. All the great industries have permanent conciliation machinery and the number of boards is between 300 and 400. The State has endeavoured to encourage this tendency. By statutes of 1896 and 1908, the Board of Trade (later the Ministry of Labour) can offer arbitration in a wage dispute. In 1919, a permanent Industrial Court was

[1] In 1940, an emergency statute raised the compensation payable to married workers and their dependents. A royal commission is at present (1942) investigating the whole question.

[2] In England. They were not re-established in Scotland till 1937. In 1938, wage boards were set up in the road transport industry.

set up, consisting of representatives of employers, employees, and neutral persons, to which industrial disputes may be referred with the consent of the parties concerned. As originally drafted, the statute would practically have established compulsory arbitration, but the compulsory clauses had to be dropped, owing to the opposition of the Labour Party. Resort to the court is purely voluntary. Nevertheless, it is being increasingly used as a means of settling trade disputes, and has proved a useful instrument for the promotion of industrial peace. During the first ten years of its existence, it issued 1,445 decisions.[1]

FURTHER READING.—Barker, *Political Thought from Spencer to To-day*; Webb, *English Local Government* (*English Poor Law Policy : the Last Hundred Years*); *Poor Law Commission Reports, 1909*; *England* (Cmd. 4499), *Scotland* (Cmd. 4922), *Ireland* (Cmd. 4630); Hutchins and Harrison, *History of Factory Legislation*; Hammond, *Lord Shaftesbury*; Mess, *Factory Legislation and its Administration, 1891–1924*; P. Cohen, *The British System of Social Insurance*; Gilson, *Unemployment Insurance in Great Britain*; J. L. Cohen, *Workmen's Compensation in Great Britain*; Fisher, *Wages and their Regulation since 1918.*

[1] For an analysis of these, see Mary T. Rankin, *Arbitration Principles and the Industrial Court.*

CHAPTER XXXI

SOCIAL MOVEMENTS

Voluntary Association.—Much personal and individual effort has been directed during the last hundred years towards the amelioration of social and economic conditions. Part of it has been of the nature of charitable assistance. Private philanthropy has created innumerable benevolent agencies, voluntary hospitals, homes for orphan children and for aged and infirm persons, institutions for the physically and mentally afflicted, religious, reformatory and rescue societies, associations for the improvement of the poor, &c. The sums handled by these charitable organizations are impossible to calculate. Since 1853, endowed charities in England have been supervised by four Charity Commissioners, who have at present in their charge about 80,000 charities with endowments of over £80 millions. Much of this voluntary effort, on the other hand, has been of the nature of self-help and has led to the foundation of mutual-aid associations like trade unions and co-operative, friendly and building societies. It is significant that men tend to act collectively in these matters. The part played by the principle of association in the modern world has become very important. It is almost true to say that hardly a vestige remains of the individualist organization of society presupposed by the early economists. For nearly all purposes, social, religious, economic and recreational, men do not act as individuals but as members of groups. In the economic sphere, this tendency is very noticeable. A man's economic position is determined, not by his own bargaining power, but by that of the economic group to which he belongs. If he is a worker, he joins a trade union, if an employer, an employers' federation, if a professional man, some organization like the British Medical Association, the National Union

of Teachers, the Inns of Court or the Stock Exchange. Hence the attitude of the law towards associations has a very important influence on economic activity. Originally the courts took the narrow view that an association had no legal existence unless it was 'incorporated' by the Crown or by Act of Parliament. Moreover, every corporation was strictly bound in its powers by the terms of its charter and could do nothing which was not authorized therein. In the course of the nineteenth century, this pedantic attitude had to be modified. A host of associations grew up spontaneously, which were not 'incorporated' but which held property and entered into contracts. It was very awkward that these could not sue or be sued in the law courts, since the law did not recognize their existence. To meet this difficulty, the judges developed the fiction of 'representative action', by which an unincorporated association could sue or be sued in name of one or more of its officers or members. This was an important concession. It implied that what were in effect corporations could grow up spontaneously without being specifically authorized by the Crown or the legislature. But the judges did not mean to allow these informal corporations more liberty than was enjoyed by those which the law had always recognized. Accordingly every association was held to be bound by some document (e.g. a set of rules) which might be regarded as the equivalent of its charter. The practical difficulties caused by this unbending attitude will find illustration in the history of some of the social movements which we are about to consider.

TRADE UNIONISM

The Combination Laws.—Trade unionism is the child of industrialism. When capitalist production has reached the point at which the worker has no longer any hope of becoming a master and must resign himself to being a wage-earner all his days, then he unites in self-defence with his fellows and forms a trade union. Great Britain arrived at this stage during the eighteenth century, and contemporaneously there sprang up a large number of small trade clubs among weavers, hatters, printers, shipwrights, carpenters, bricklayers and other workers. At first, the legislature viewed the move-

ment with a not unfriendly eye. The aims of the early trade unions were unobjectionable. They sought not to wring concessions direct from the masters but to secure the enforcement of labour laws passed by Parliament for the protection of the worker. Still, as this might seem to be usurping functions which properly belonged to the legislature, trade unions were frequently dissolved by special Acts of Parliament. All the same, there was no general law against workmen's associations until 1799, after the excesses of the Parisian clubs during the French Revolution had bred a distrust in the minds of the governing classes of all forms of democratic organization. The Combination Laws (1799 and 1800) made trade unions criminal bodies. Any worker who joined one or took part in a strike became liable on summary conviction before two magistrates to 3 months' imprisonment. Nor was this the only risk trade unionists had to run. Trade unions, being now unlawful bodies, might be regarded as 'conspiracies',[1] and the penalties for breach of the common law of conspiracy were very severe. Instead of the comparatively mild penalty of 3 months prescribed by the Combination Acts, trade unionists might find themselves sentenced to several years' imprisonment. Armed with this double-edged weapon, the authorities were able to drive the whole trade union movement underground. That they did not succeed in crushing it out of existence altogether was due probably to the absence of an efficient police force at the time, and to the inertia of the employers, who did not trouble to set the law in motion provided their workers remained quiescent.

In 1824, the Combination Laws were repealed through a piece of clever political wire-pulling by a Radical agitator, Francis Place.[2] Trade unions were not merely relieved from the stigma of criminality but also exempted from the common law of conspiracy. Place, who shared the prevailing opinion among economists about the futility of trade union action, anticipated no evil consequences from the grant of liberty of combination. 'All', he said, 'will be as orderly as even a

[1] A 'conspiracy' in the legal sense is a combination for an unlawful purpose.

[2] Known as the Radical Tailor of Charing Cross. For a full account of this episode, see Graham Wallas, *Life of Francis Place*, chap. viii.

Quaker would desire.' The result was very different from his expectation. An epidemic of strikes broke out and the employers were thoroughly alarmed. On their demand, Parliament in 1825 amended the law of 1824. The immunity from prosecutions under the law of conspiracy, which had been conferred on trade unionists, was withdrawn. The effect of this was to place great restrictions on the use of the strike weapon, since the judges were inclined to construe almost any concerted action in furtherance of a trade dispute as a conspiracy.

The Grand National.—Though by the legislation of 1824–5 trade unionists had obtained little more than formal recognition for their associations, this did not deter them from embarking immediately on most ambitious programmes. Between 1829 and 1834, the trade union world was in a ferment. The most revolutionary ideas were entertained, especially the project of one vast industrial union embracing all sections of the working-class. During the eighteen-thirties, a number of large general unions came into existence as partial realizations of this plan. The most famous was the Grand National Consolidated Trades Union, 1833–4. It had for intellectual guide and inspirer, Robert Owen, who at this stage of his career held what would now be called syndicalist views. The trade unions were to form themselves into national companies which were to run the chief industries of the country. A representative body corresponding in composition to the present Trade Union Congress was to take the place of Parliament. The government and the employers were to be forced to submission by the threat of a general strike. These ideas excited great enthusiasm amongst working men and the Grand National speedily enrolled half a million members. But it was composed of too heterogeneous elements to accomplish anything. Instead of concentrating on a common policy, the different sections became absorbed in their own particular grievances and declared local strikes which drained away the funds of the Union. The employers refused to be intimidated by threats and boldly met the labour offensive by forcing their employees to sign a document repudiating trade unionism, locking them out if they refused. The Grand National was beaten in detail and collapsed during the summer of 1834.

The rout of the labour forces was hastened by a government prosecution instituted against some agricultural labourers of the village of Tolpuddle, Dorsetshire, who had formed a branch of the Grand National. Following the usual trade union custom, they had imposed an oath of secrecy on new members, and this enabled the government to charge them under an Act of 1797 with administering unlawful oaths. They were each sentenced to seven years' transportation.[1] Secret oaths were a relic of the time when trade unions were criminal bodies and had to adopt much of the procedure appropriate to secret societies. The conviction in the Tolpuddle case induced trade unionists to give up this useless practice.

The New Model Unions.—The collapse of the high hopes inspired by the Grand National was followed by a period of disillusionment, during which trade unionism steadily lost ground. Then, in the late eighteen-forties, a revival began. A new kind of union came into existence, of which the Amalgamated Society of Engineers, formed in 1851, was the type. The characteristics of this ' new model ' union, as it has been termed, were (*a*) it was national, (*b*) it was confined to skilled workers, (*c*) it acted as a friendly society in addition to performing purely trade union functions, (*d*) its affairs were administered in business-like fashion by whole-time officials who were from every point of view a complete contrast to the heated enthusiasts of 1834. The typical trade union leader of the mid-nineteenth century was a man of cautious temperament and moderate views, in politics probably a Gladstonian Liberal, with a distrust of revolutionary methods and a dislike even of the strike weapon to which he only resorted when all the resources of peaceful negotiation had been exhausted. British trade unionism entered on the most pacific stage of its history. During these peaceful years, the movement was able to re-form its ranks after the shattering blows of 1834. Numerous unions were formed on the

[1] A Radical and trade union agitation secured a remission of this savage sentence, but not until the prisoners had spent several years at Botany Bay. See Firth and Hopkinson, *The Tolpuddle Martyrs* and *The Book of the Martyrs of Tolpuddle* (published by the Trade Union Congress).

pattern of the 'new model' and after 1860 trade councils or local trade union parliaments were formed in the larger towns. The central Trade Union Congress was not established until 1868, but before that a little knot of full-time trade union secretaries in London acted as an informal executive or 'junta' and guided the movement through its difficulties. In the eighteen-sixties, the 'junta' won some important successes. In 1860, it defeated an attempt to crush out trade unionism in the London building trade, and it was successful in 1867 in securing an amendment to the Master and Servant Act which made breach of contract on the part of an employee a civil and not a criminal offence.[1] Then suddenly a crisis burst over the trade union world in the shape of an unfavourable legal decision (in Hornby *v.* Close, 1867).

The Trade Union Acts, 1871–5.—To understand the point at issue, it must be remembered that the Acts of 1824 and 1825 did not make the trade unions lawful bodies in the full sense, though it was no longer a crime to belong to them. As unincorporated associations they had no legal standing in a law court and could not bring an action, not even against one of their own officials who had embezzled their funds. This was awkward, but most trade unions got over the difficulty by registering themselves under the Friendly Society Acts, which permitted registered societies to proceed summarily against defaulting officials before the magistrates. Relying on this, the Boilermakers' Society in 1867 prosecuted the treasurer of their Bradford branch for stealing £24. Unexpectedly, the local magistrates decided that a trade union could not claim the privileges of a friendly society, and this decision was upheld on appeal. The trade unions found themselves defenceless. Any one could rob them with impunity. The blow came at an inconvenient moment when public opinion had been stirred by the disclosure of a number of trade union outrages at Sheffield and when demands were being made for the re-enactment of the Combination Laws. In this emergency, the pacific character of the trade unions proved their most effective safeguard. Before a royal commission of investigation, appointed in 1867, the trade union leaders were able to show that the occurrences at Sheffield

[1] This principle was not properly established till the Employers and Workmen Act, 1875.

were quite exceptional and that the vast majority of the unions were peaceful, law-abiding bodies, which not only did not countenance outrages but actually discouraged strikes except in the last emergency. In face of this, the commissioners dared not recommend the re-enactment of the Combination Laws. This, however, left unsolved the problem of how the unions were to obtain protection for their funds. One remedy was to grant them the right of incorporation. But, on the advice of middle-class sympathizers with labour like Frederic Harrison and Tom Hughes (who both had seats on the commission and presented a minority report), the trade union leaders rejected this proposal. The drawback of incorporation was that while it entitled the unions to sue, it also made them liable to be sued. Employers might bring actions against them for damages suffered during a strike and judges and middle-class juries would most likely view such actions with sympathy. The trade unionist solution was that the unions should be given a privileged position, that, in effect, they should have the right to sue without the liability to be sued. Otherwise, it was argued, unions would be afraid to strike and might as well not have legal recognition at all. With great reluctance, the Liberal government granted this demand in the Trade Union Act of 1871, which provided that the trustees of a union might sue (and in a few cases, be sued) in regard to its property, but no mention of incorporation being made in the Act, this was generally taken to mean that the union itself had no legal status and could not be sued in a law court. The government tried to diminish the value of its concession by passing at the same time an Act which greatly strengthened and extended the law of conspiracy in regard to trade unions. But trade unionists refused to accept this measure, and as the working-classes in the towns had just received the electoral franchise, they were able to secure its repeal. A fresh Act of 1875 set definite limits to the application of the law of conspiracy to trade disputes and enabled trade unionists to conduct a strike without constantly running the risk of criminal prosecution. The legislation of 1871–5 was a great triumph for the working-class. Trade unionists secured an advantageous legal status for their associations and got rid of most of the restrictions

which had interfered hitherto with the effective use of the strike weapon.

The New Unionism.—The next important development in British trade unionism was its extension in the eighteen-eighties to the great army of unskilled labourers. This was the result of a left-wing movement, headed by John Burns, Tom Mann, and Ben Tillett. Supporters of what came to be called the 'new unionism' criticized the older unions for their supineness and timidity, which they attributed to the practice of combining friendly society and trade union activities. Anxiety for the safety of their large friendly society funds prevented the older unions from taking aggressive action against the employers. At the same time, the payment of friendly society benefits necessitated the levying of high weekly subscriptions which effectively excluded the unskilled labourer and deprived an important section of the working-class of trade union organization. The kind of union which Burns and his friends advocated was a purely fighting union, which would include the unskilled labourer and which would have no friendly society funds to deter it from engaging in active hostilities with the employers. A number of sensational strikes among unskilled workers gave the new unionism a gratuitous advertisement, especially the great London dock strike of 1889 when the docker won his 'tanner' an hour, largely because public opinion was for once on the side of the strikers. These successes started a new forward movement in trade unionism. Many labourers' unions of the kind advocated by Burns were founded and the number of organized workers greatly increased. But no change took place in the methods of the older unions. They continued to distribute friendly society benefits as before, and it was not long before some of the new unions began to do the same.

The Trade Disputes Act, 1906.—At the opening of the twentieth century, trade unionism again found itself in conflict with the law courts. In 1901, the Taff Vale Railway Company brought an action against the Railwaymen's Union for damages suffered during a strike. Even the legal advisers of the Company declared that the action was incompetent, but to the general surprise, when the suit was carried to the House of Lords, the Company won its case. The Lords

declared that, to quote the words of Lord Chancellor Halsbury, 'if the legislature has created a thing which can own property, which can employ servants and which can inflict injury, it must be taken to have impliedly given the power to make it suable in a court of law'. The action was allowed and the union had to pay £23,000 damages. The decision created consternation amongst trade unionists. At one stroke, they saw their associations deprived of the privileged position which it was believed the Act of 1871 had conferred on them. An agitation was immediately commenced to have the law amended, and after a few years it was successful. The Trade Disputes Act of 1906 declared in explicit terms that a trade union could not be sued in a law court. This immunity trade unions still enjoy. The trustees of a union may be sued in the few cases provided for in the Act of 1871 but not the union itself. Even the member of a union who thinks he has been wronged by it cannot secure redress through the law courts. The relation of a union to its members is a matter of private agreement, with which the law does not interfere.

Industrial Unionism.—The years before and after the War form a stirring period in trade union history. The ideas of 1834 were revived, reinforced by the influence of French syndicalism and the excitement caused by a number of large-scale strikes among miners, railwaymen and transport workers. There was a general movement towards a concentration of working-class forces. In the railway, transport, building, printing and other trades, large industrial unions were substituted for the small craft unions of the early trade union period, and the idea was again entertained of 'one big union' which would coerce the employers by a general strike. One of the fruits of the movement was the formation in 1915 of the Triple Alliance between miners, railwaymen and transport workers, but when put to the test, this combination collapsed. In 1921, railwaymen and transport workers refused to come to the aid of the miners in a strike. The idea of large-scale concerted action, however, continued to haunt the minds of trade union leaders, and in 1926 the Trade Union Congress declared a 'general' strike in aid of the miners. The 'first line' of the labour forces was called

out—railwaymen, transport workers, builders, printers, iron and steel workers—and the rank and file obeyed the orders of their leaders with a blind loyalty that astonished both friends and foes. The strike, itself, was mismanaged and ended in utter failure. After nine days, it was called off, and the miners were left to fight their battle alone. In the following year, trade unionism paid the penalty for its defeat. The Trade Union Act of 1927 declared 'general' and 'sympathetic' strikes illegal, and forbade State employees to belong to unions with political affiliations. Combined with the slump in employment which set in after 1929, this Act has greatly weakened the trade unions and hampered their capacity for action. Since 1926, there has been no industrial dispute comparable to the miners' or railwaymen's strikes before and after the War. And trade union membership has steadily declined. From 8 millions in 1920, it has dwindled to $4\frac{1}{2}$ millions in 1932.[1] The number of unions is a little over a thousand.

Trade Unions and Politics.—The trade unions are the backbone of the political Labour movement. The first working-class members of Parliament were miners like MacDonald and Burt, who were financed by the miners' unions. After 1874, there were always a few 'Liberal-Labour' members in the House, who sat and voted with the Liberal party. The movement for a working-class party independent of the Liberals was started about 1890 by Keir Hardie and the I.L.P., but made little progress until the trade unions gave it their support. In 1899, the Labour Representation Committee was formed, consisting of delegates from trade union and socialist organizations, with James Ramsay MacDonald as secretary. In 1906, helped by the feeling excited by the Taff Vale decision, the L.R.C. secured the return of 29 Labour members. Four years later, the group was increased to 40 by the adhesion of the miner M.P.s, who had hitherto held aloof from the movement. Despite this promising start, the party had many difficulties to contend with. It depended mainly on the trade unions for financial support, and in 1909, in the Osborne case, the House of Lords decided that political levies on trade union members were *ultra vires*, since nothing was said of political activity in the Act of 1871. This

[1] By 1938, it was up to 6 millions.

Act was now held by the judges to be the equivalent of the trade union charter. To relieve the situation, Parliament instituted payment for members in 1911, and then in 1913 authorized political levies on trade unionists, provided opportunity was given to conscientious objectors to ' contract out '.[1] Another difficulty was the position of tutelage in which the Labour party stood in regard to the Liberals. Many of its members owed their seats to Liberal votes, and in Parliament the party could do little more than support the measures of the Liberal government. From this humiliating position it was rescued after the War by the eclipse of Liberalism. The Labour party became the second party in the State and in 1924 and again in 1929 was called on to form a government. Neither of the first two Labour governments accomplished much in the way of legislation (they were both minority governments), but the fact that they were formed was a sign that the working-class had at last become politically conscious and was making a bid for the mastery of the State. In 1918, in an effort to attract other than manual workers, the Labour party revised its constitution so as to admit individual members who need not belong to any trade union or socialist organization. But despite this, it is still true to say that the party derives most of its support, electoral and financial, from the trade unions.

CO-OPERATION

Producers' Co-operation.—This form of co-operation exercised a great fascination over many able minds in the nineteenth century. It was one of the numerous strands in the Owenite social philosophy ; in *Sybil*, Disraeli makes his hero declare it to be the greatest discovery of the age ; and Mill treated it sympathetically in his *Principles*. The conception is a fairly obvious one. Since it is want of capital that prevents the working man from achieving economic independence, why should he not make good the deficiency by pooling his savings with those of his fellows and using them

[1] Few trade unionists availed themselves of this privilege. The Trade Union Act of 1927 made it necessary for those who wished to pay political levies to ' contract in ' and this has had an unfavourable effect on the political funds of the unions.

to start a co-operative workshop? Where labour and capital are supplied by the same persons, the workman is his own master, and industrial democracy is achieved. Many experiments along these lines were tried, chiefly under Owenite influence, during the first half of the nineteenth century. Communistic villages were founded at Queenwood (1840), at Orbiston in Scotland (1826) and at Ralahine in Ireland (1831). Many retail societies also branched out into co-operative production. But nothing came of these many ventures. About 1850, the question entered on a new phase, when it was taken up by the small band of Christian Socialists, Maurice, Kingsley, Ludlow, Neale, Hughes, &c. The name 'Christian Socialist' is misleading. Maurice and his colleagues supported no brand of socialism. They were merely social reformers who wished to apply ethical principles to the solution of economic problems. At first, they were sadly at a loss for a constructive policy, until Ludlow returned from Paris in 1849 with a glowing account of the co-operative workshops functioning in that city. His enthusiasm converted his colleagues and they resolved to make producers' co-operation the chief plank of their practical programme. A Society for Promoting Working Men's Associations was formed and a number of small co-operative workshops were established amongst tailors, shoemakers, printers, builders and other workers. The capital was supplied not by the workmen themselves, but by wealthy sympathizers, especially by Neale, who lost the greater part of a splendid fortune in this way. Despite these sacrifices, the experiment was an unrelieved failure. The workmen showed themselves quite incapable of self-government, and by 1860 all the workshops had either closed down or been transformed into private businesses. The promoters wound up their Society in 1854 and transferred their interest to working-class education, without which they felt industrial democracy could never be realized. 'Association', wrote Kingsley in 1856, 'will be the next form of industrial development, I doubt not, for production; but it will require two generations of previous training, both in morality and drill, to make the workmen capable of it.'[1]

For another thirty years, the movement languished, until

[1] *Letters and Memories of Charles Kingsley*, Vol. I, p. 474.

the foundation of the Labour Co-partnership Association helped to revive it. The Association was formed with the double object of encouraging co-operative production and promoting co-partnership and profit-sharing. Through its efforts, a large number of co-operative workshops have been established in the last fifty years, but the mortality among them has been heavy and the average duration of life short. In 1938, there were 117 producers' societies with a membership of 22,221 and capital assets worth £5,086,924. Most of these enterprises are controlled by the consumers' co-operative societies which buy their goods. Marketing has always been the weak point about co-operative production. Co-operative workshops can produce goods but they cannot sell them. Without the help of the consumers' societies, few of them could carry on. But this help has had to be paid for, and in most cases the price has been subordination to, if not complete absorption in, some consumers' society.

Consumers' Co-operation.—This form of co-operation has a much more brilliant record of achievement. In the early nineteenth century, a large number of retail societies were founded, of which Dr. King's store at Brighton may be cited as an interesting example.[1] Yet no substantial progress was made till the formation of the Rochdale Pioneers' Society in 1844. Twenty-eight flannel weavers in this Lancashire town painfully saved up £28 and with this meagre capital opened a small shop for the sale of groceries in Toad Lane.[2] The enterprise prospered amazingly. Within ten years, the membership had risen to 1,400 and the turnover to £45,000. The society extended the range of its operations. Branch shops were opened ; meat and drapery goods were added to the articles sold ; shoes, clothing and clogs were manufactured for the use of the members. A large share of this unexpected success was due to the institution of the *dividend.* The society resolved to distribute its surplus, not in proportion to the share capital of the members (on which they received a fixed rate of interest), but in proportion to their purchases.

[1] The earliest co-operative store seems to have been founded at Fenwick, near Kilmarnock, in 1769. The oldest existing store is the Lennox Victualling Society, which dates from 1812.

[2] The shop is now a co-operative museum.

This ingenious arrangement solved the problem of marketing, which had caused the producers' societies so much embarrassment. The members had every inducement to trade only with the society's shops, so that the consumers' societies never had any difficulty in getting rid of their goods. They had a regular clientèle and could calculate much more accurately than the private trader the amount of stock they had to lay in. On the dividend system, the future prosperity of British co-operation was built up.[1]

The success of the Pioneers gave a great impetus to the co-operative movement and caused many societies to be formed on the same pattern. At first, these had no legal status whatever, but the Industrial and Provident Societies Act of 1852, obtained largely through the efforts of the Christian Socialists, aided by John Stuart Mill, conferred on them a legal personality. A second Act of 1862 gave them the privilege of limited liability and the right to hold each other's shares. This last concession prepared the way for an important development for which the movement was now ready, the formation of wholesale societies. The English Wholesale was founded at Manchester in 1863 and the Scottish Wholesale at Glasgow in 1868. The Wholesales are federations of consumers' societies. They are governed by delegates from these societies, and at the end of the year the surplus is divided among the member societies in proportion to their purchases. Thus the dividend system is reproduced on a larger scale. At first, the Wholesales were merely distributing agencies, from which the retail societies replenished their stocks, but they soon entered the field of production and to-day they have numerous factories for the manufacture of such things as flour, butter, bacon, biscuits, sweets, jams, preserves, tobacco, boots, clothing and furniture. They are also landowners on a large scale. In addition to about 40,000 acres of farmland in this country, they own extensive cornlands in Canada, tea plantations in India, palm forests and cocoa plantations in West Africa. Their total turnover in 1938 was £153 millions, and of this 30 per cent. was manufactured

[1] The Rochdale Pioneers were not actually the first to use the dividend system, but they were the first to work it successfully, and therefore there is historic justice in the persistent tradition which makes them the originators of it.

by themselves. Since 1867 there has been a Co-operative Insurance Society, and since 1876 a Co-operative Bank. There seems to be no field of enterprise which co-operation is not able to penetrate.

Another important co-operative institution is the Co-operative Union, founded in 1869. Like the Wholesales, it is a federation of societies, and its special work is the propagation of co-operative ideas. It carries on a great deal of educational work and since 1924 has had a small co-operative college at Manchester. The annual congress of the Union at Whitsuntide is the great event in the co-operative year. An offshoot of the Union is the National Co-operative Publishing Society, which is responsible for the publication of books, pamphlets and newspapers, including the *Co-operative News* and, since 1929, *Reynolds's Weekly Newspaper*. In 1938 there were 1,124 registered co-operative societies with a membership of 8,338,909.

Co-operators and Politics.—The Rochdale pioneers made it a rule to preserve strict neutrality in regard to both religion and politics, and the whole co-operative movement faithfully observed this attitude down to the War. Then difficulties with the government about food supplies and other matters made it seem necessary for the societies to be directly represented in Parliament. Accordingly, in 1917, the Swansea Congress approved of the formation of a Co-operative party. One co-operative candidate was elected to Parliament in 1918, 6 in 1923, 9 in 1929 and 1 in 1931. The party depends entirely for support on societies which voluntarily affiliate to it. The retail societies, it must be remembered, are not bound by resolutions of the Co-operative Congress. In 1939, the party claimed to have 540 affiliations, representing 5 million members, or nearly two-thirds of the total membership of the movement.[1]

Up to the present, the party has not exerted any distinct political influence. In Parliament its members are indistinguishable from ordinary Labour members, and in 1927 the Co-operative Congress sanctioned a definite alliance with the Labour party.[2] It may be said that the Co-operative party

[1] In 1937, in *Cahill v. London Co-operative Society*, the courts affirmed the legal right of co-operative societies to make contributions to political funds.

[2] Co-operative M.P.s sat in the two Labour Cabinets of 1924 and 1929.

now stands to the Labour party in much the same relation that the Labour party formerly stood to the Liberals. The connexion is not a natural one. The Labour party is a producers' party. It is based mainly on producers' associations, the trade unions. The Co-operative party ought to express the consumer's as opposed to the producer's point of view. The whole co-operative movement rests on the principle that the interest of the consumer is identical with that of society, whereas the interests of producers are often anti-social.[1] The Co-operative party is therefore in a false position. If it wishes to become a distinctive and effective political force it must escape from its subordination to a party whose outlook and philosophy are in so many ways opposed to its own.

FRIENDLY AND BUILDING SOCIETIES

Friendly Societies.—Friendly societies are voluntary means by which members of the working-class protect themselves against the risks of life; their object is the same as that of State schemes of social insurance, and their methods similar except that there is no element of compulsion. The history of these institutions goes back to the eighteenth century. The earliest friendly societies were small sick and burial clubs, which were often sadly mismanaged. Greater financial stability was secured by the national fraternal orders, the Oddfellows, the Foresters, the Shepherds, the Rechabites, the Good Templars, &c., which in many cases combined temperance propaganda with the promotion of thrift. The trade unions, formed on the 'new model', had also schemes of sick, funeral and unemployment benefit. The 'collecting society' is a peculiar species of friendly society. It provides funeral benefit only, and is managed almost entirely by self-elected officials. Finally, there are a number of private

[1] 'The merchants have an interest in selling dear, the farmers in keeping corn from being too abundant, the doctor in having plenty of patients, the workers themselves in making labour scarce, and the trade unions by their strikes often inconvenience the public. The consumer alone desires all things to be as abundant, good and cheap as possible, and that is precisely the interest of society.'—Gide, *La Cooperation*, p. 218.

insurance companies which provide friendly society benefits for working-class contributors. The best-known example is the Prudential, founded in 1848.

Friendly society finance benefited greatly from the progress of actuarial science and the practice of the private insurance companies. The earlier societies took a restricted view of their liabilities and fixed subscriptions too low. Failures were frequent. As late as 1882, there were nearly 4,000 paupers in British workhouses who had been brought there by the insolvency of friendly societies in which they were interested. The now universal practice of making periodical valuations of assets and liabilities and fixing the subscriptions accordingly has reduced the danger of bankruptcy and placed the finances of friendly societies on a sound basis.

The legislature has always been friendly to the movement. Rose's Act of 1793 conferred certain privileges on friendly societies which submitted their rules for approval to the local magistrates. In 1829, the justices were supplemented by a barrister, who after 1844 was known as the Registrar of Friendly Societies. The legal position of the societies is still substantially governed by an Act of 1875, which was passed after an exhaustive review of the whole question by a royal commission. Registered societies have the right to hold land, to invest funds with the National Debt Commissioners, and to proceed summarily against defaulting officials. In return, they must observe certain methods of administration and supply the Registrar with annual returns and quinquennial valuations. Unfortunately, registration is no guarantee of solvency. But financial mismanagement is now rare. Nearly all the friendly societies are now ' approved societies ' under the Health and Unemployment Insurance Acts. It was feared at the time that the establishment of State schemes of social insurance would weaken the support given by the working-classes to the friendly society movement, but these apprehensions have not been realized. In 1937, there were 19,859 friendly societies with 8,340,515 members and accumulated funds estimated at £146,142,336. Since 1923, the collecting societies and industrial insurance companies have been under the control of the Industrial Assurance Commissioner (who is also the Registrar for Friendly Societies). In 1938

there were 16 companies and 149 collecting societies with funds of £409,651,000.

Building Societies.—Building societies are in effect popular banks which collect funds from small investors and lend them out again on the security of household property. They have enabled many members of the working and lower middle classes to become owners of their homes. An early example of a building society occurred at Birmingham in 1781. During the next fifty years, the number of societies greatly increased. In 1836, Parliament provided for their registration and accorded them certain privileges, not including, however, limited liability. This was granted in 1874 by the statute which still, with some amendments, regulates the movement on its legal side. In the early days, societies were of two kinds, *terminating* and *permanent.* In a terminating society, subscriptions are accumulated until it is possible to begin giving advances to the members in rotation, the order being decided by lot. When all the members have received advances, the society is wound up. Terminating societies have now almost entirely disappeared. The finance of building societies has on the whole been satisfactory, though there have been one or two conspicuous failures, e.g. the Liberator Society in 1892, and the Birkbeck Bank in 1911. In these cases, however, there had been serious departure from the recognized methods of the building society movement. In 1938 there were 971 building societies with 2,152,600 share members and a total capital of £548,262,942. A Building Societies Association watches over the general interests of the movement.

PROFIT-SHARING AND CO-PARTNERSHIP

Profit-sharing.—Profit-sharing is an example of paternalism in industry. Unlike trade unionism and co-operation which are attempts at self-help, profit-sharing is the result of a voluntary concession by the employer in favour of his workers. The first important profit-sharing scheme in this country was started in 1865 in the Yorkshire Collieries of Messrs. Briggs. When the profits exceeded 10 per cent., half the surplus was to be distributed amongst the workers as bonus. Great hopes were entertained of this experiment, which Mill and others

hailed as inaugurating a new era in industrial relations. These expectations were sadly disappointed. After about ten years, the scheme was cancelled because the employees refused to abandon their trade union membership. This unwise step antagonized the trade union movement and created in the minds of the workers a suspicion that profit-sharing was an employer's dodge to deprive them of their defensive associations. The idea has never been entirely dispelled and is one of the reasons for the comparative failure of the movement. In 1889, another scheme was started in connexion with the London South Metropolitan Gas Company. The men were to get a bonus varying with the price of gas. This scheme worked smoothly, but it produced unfriendly relations with the workers' union, and indeed was only launched after a strike in which the union was badly beaten. Down to 1905, all employees had to sign a document repudiating trade unionism. In the gas industry, profit-sharing is extensively practised. On the eve of the War, about 30 gas companies had schemes. Amongst co-operators also, there are many staunch supporters of the idea, and the two Wholesales had schemes for a time, the English Wholesale between 1873 and 1886 and the Scottish Wholesale between 1870 and 1915. It was felt, however, that profit-sharing was not quite consistent with the theory of co-operation, according to which it is the consumer and not the producer who is exploited, and for this reason the schemes were abandoned. Nevertheless, there are still about 170 retail societies which practise profit-sharing. The total number of schemes in operation in 1938 was 404, affecting 261,000 workers. In the case of 355 schemes for which particulars were available, the average amount of bonus for the year per head was £11 6*s.* 7*d.*, and the percentage addition to earnings, 5·9. These figures bring out the great weakness of profit-sharing, the negligible amount which it adds to the worker's reward. An extra two or three shillings a week cannot be expected to arouse much enthusiasm. On the other hand, employers complain that the bonus eats into profits without their deriving any compensating advantage from the pecuniary sacrifice which they make. Profit-sharing, therefore, is regarded with luke-

warm feelings by both parties to the wage-contract, and has done little to mitigate the secular antagonism between capital and labour.

Co-partnership.—Co-partnership is an extension of profit-sharing, by which the workers are allowed to participate not merely in the profits but in the management of the business. It has only been applied in a very few instances and on a restricted scale. The development of joint-stock enterprise seemed to offer a method by which employees might obtain a stake in the business, and Messrs. Briggs, when they started their profit-sharing scheme, turned their firm into a joint-stock company and allowed their workers to purchase shares. In 1892, the Scottish Wholesale gave its employees the right to hold shares in the Society and to send a representative to the general meeting for every 150 employee-shareholders. A somewhat similar scheme was adopted by the South Metropolitan Gas Company in 1895. Half the worker's bonus was compulsorily invested in the purchase of shares and the employee-shareholders were given the right to elect 3 out of the 10 members of the board of management. In 1907, the Limited Partnership Act made it possible for the employees of a firm to acquire collectively an interest in the business. One firm, Gilbert Bros., boot manufacturers, Nantwich, took advantage of this provision, but its scheme was cancelled in 1912 at the request of the employees. After the War, an attempt was made to satisfy the demand for workers' control by the establishment in suitable industries of what were called Whitley Councils. These were to be representative of employers' associations and of trade unions and were to consider methods of promoting the general progress and well-being of the industry as a whole, wages and matters ordinarily the subject of collective bargaining being excluded from their purview. Each industry was to have a national council with local councils operating in different districts. These proposals were pleasing neither to employers nor to trade unions, and nothing much came of them. The government applied the idea in the Civil Service, but elsewhere it has only been adopted, contrary to the original intention, in industries where trade unionism is weak, and the councils have not acted very differently from

conciliation boards. Co-partnership, therefore, has made even smaller progress than profit-sharing. In the vast majority of business units, the workers have no say in the management. Industry still remains organized essentially on an autocratic basis.

FURTHER READING.—Macadam, *The New Philanthropy*; Webb, *History of Trade Unionism*; Lloyd, *Trade Unionism*; Milne-Bailey, *Trade Union Documents*; Cole, *Short History of the British Working-Class Movement*; Fay, *Co-operation at Home and Abroad*; Potter, *The Co-operative Movement*; Gide, *Consumers' Co-operative Societies*; Raven, *Christian Socialism, 1848–1854*; Bärnreither, *English Associations of Working-men*; Bellman, *The Building Society Movement*; Fay, *Co-partnership in Industry*; Aneurin Williams, *Co-partnership and Profit-sharing*.

CHAPTER XXXII

THE POST-WAR POSITION

Britain and the World Market.—The salient feature of Great Britain's economic development since the War is her relative decline as an industrial nation. This is manifest in two ways : first, in the absolute fall in the quantity of her exports ; second, in the smaller proportion of the world's export trade which falls to her share. The following two tables make this clear.

	Exports	Percentage reduced to 1913 price level
1913.	£525,000,000	100
1921.	£703,000,000	50
1927.	£709,000,000	79
1929.	£730,000,000	82

	Percentage share of World Exports	
	1913	1929
United Kingdom	14	10·8
Germany	13	9·2
France.	7	6·0
U.S.A.	13	15·8

The fundamental cause of this industrial decline is the progress of industrialism among the agricultural nations. In large measure, this is a perfectly natural development. Looking back, we realize that Britain's start in the industrial race was to some extent a matter of accident. It became only a question of time when other nations should begin to catch her up. Moreover, much of her industrial superiority rested on fortuitous circumstances, which the passage of time was bound to remove. That Lancashire should import raw cotton thousands of miles from America and export cotton goods thousands of miles to Asia does not appear on the face of it a very rational arrangement. India and Japan can produce raw cotton for themselves. Why, then, should they not also spin and weave it into cotton cloth ? The industrialization of the East, which has deprived Britain of so many of her

foreign markets, is, to a large extent, the consequence of a more rational distribution of economic activities. It is true of course that the progress of industrialism abroad has been stimulated by artificial causes. The War, which diverted the activities of British manufacturers to the production of military supplies for the government, forced their overseas customers to begin manufacturing for themselves, and the movement towards industrial self-sufficiency, once begun, was encouraged by tariffs, subsidies, and all the usual devices of economic nationalism. But even if all tariff barriers were levelled, Britain could not hope to recapture the position of industrial supremacy which was hers during the greater part of the nineteenth century.

Another cause which has contributed to Britain's industrial decadence is the change which has taken place in the nature and direction of demand. The world to-day consumes more goods than it did in the nineteenth century, but the character of the goods is not the same. With the rise in the standard of comfort, the average man spends more of his income on luxuries, on motor-cars, radio sets, cameras, silk stockings for his wife, &c. Hence the growing importance of luxury industries as compared with those that turn out prime necessities and producers' goods. It was on industries of the second class that Britain concentrated in the nineteenth century, and the shift in demand has hit her badly. She now feels the disadvantage of having so much of her labour and capital invested in coal, iron, shipbuilding and textiles. In the establishment of the new-fashioned, more prosperous industries, she has made smaller progress than her competitors. Between 1925 and 1929, her export of motor-cars increased by 10,500, that of the United States by 210,000 ; her export of artificial silks went up by 13 per cent., that of the Netherlands by 200 per cent., Switzerland, 350 per cent., France, 800 per cent. Britain finds herself in a world where the conditions of industrial success have subtly changed. The balance of advantage has silently passed from her to her rivals.

These changes are reflected in a decline in the national income and a very considerable increase in the volume of unemployment. According to calculations made by Sir

Josiah Stamp and Professor Bowley,[1] the monetary value of the national income rose between 1911 and 1924 by about 90 per cent. (from £1,988 millions to £3,803 millions), but if allowance is made for the fall in the value of money, the increase is reduced to between 1 and 2 per cent. Against this must be set the growth in the population. The final result is that the national income per head was about 5 per cent. less in 1924 than in 1911. The effect on unemployment has been much more serious, as the following table shows.

	Insured Persons Unemployed	Percentage
Jan. 1922.	2,015,000	17·7
,, 1925.	1,322,000	11·2
,, 1929.	1,466,000	12·2
,, 1932.	2,855,000	22·2

The high level of unemployment in 1922 and 1932 was of course the result of world-wide depressions in trade, but the existence since 1921 of a ' refractory million ' of unemployed is primarily due to Britain's changed position in the world economy. Her staple industries live by exporting, and her foreign markets have shrunk. Two minor factors which have accentuated the unemployment problem are the continuous displacement of hand labour by machines (technological unemployment), and the increasing cheapness of food and raw materials as compared with manufactured goods, which enables industrial countries to buy the same amount of imports with a smaller quantity of exports. In 1924, a representative unit of British exports was able to purchase 20 per cent. more imports than in 1913.[2]

How is Britain to adapt herself to her new economic environment ? A much-trumpeted remedy is *rationalization.* This is a new name for a policy which has always more or less been pursued by producers. Rationalization simply means the reduction of costs through the adoption of up-to-date methods. In its present phase, it concentrates on the amalgamation of businesses, the closing down of obsolete plants, and the extension of mechanization. So far as it enables British manufacturers to undersell their rivals in

[1] *The National Income in 1924.*

[2] Pigou, *Economic Position of Great Britain,* p. 28.

neutral markets, it is an appropriate remedy for the present situation. But it has the grave drawback of immediately increasing by its methods the volume of unemployment, which it is our main object to reduce. Diminished employment means less spending power, so that it is questionable if even from the purely business standpoint, the gains of rationalization are not outweighed by its disadvantages. A surer but a slower remedy is to bring about a redistribution of industrial activity, transferring labour and capital from the decaying to the growing industries. Already this has begun, but it must take time. An adult worker cannot easily change his occupation or his place of residence. It is chiefly at the source that the adjustment must be made, young people being headed off from the industries with a surplus of labour and directed towards those which are capable of expansion. Similarly with capital. Capital invested in buildings and plant cannot suddenly be diverted to a different purpose. Only as the capital wears out and is not replaced can a redistribution of capital resources be accomplished. It will take a generation or two to achieve a new industrial equilibrium. One hopeful factor is that the rate of increase of population is slowing down. During the nineteenth century, Britain's resources grew faster than her population. In 1913, the average real income per head was a third greater than in 1880.[1] Since the War, the tendency has been the other way. The fall in the birth-rate is therefore welcome as a means of correcting the disparity.[2] There is reason to believe that about 1950 Britain's population will become stabilized at 50 millions. This will immensely simplify her economic problem.

Can Britain hope to be as well off again as she was in the nineteenth century? Relatively she cannot. Her proportionate share in the world's trade is bound to be less. But there is no reason why this relatively smaller share should not be absolutely greater than what she enjoyed before. The world's trade is capable of great expansion. Physically, there are no barriers to it. Since the War, the output of food and

[1] Bowley, *Change in the Distribution of the National Income, 1880–1913*, p. 26.

[2] Birth-rate per thousand: 1881–5, 35·5; 1911–15, 23·6; 1930, 16·2.

raw materials has grown faster than the population.[1] The only obstacles are man-made policies. Economic nationalism is threatening to turn the world into a collection of closed economic units. The destruction of the advantages that flow from international division of labour will inevitably react unfavourably on the world's output of wealth. For this country, the consequences will be extremely grave.

> It must be regarded as axiomatic [declared the Balfour Committee] that Great Britain is, and apart from wholesale emigration, must remain, a country necessarily dependent on overseas supplies for the means of feeding and employing its population. For a community thus situated, the ideal of self-sufficiency is wholly inappropriate.[2]

Britain's future then is bound up with the cause of economic internationalism. Her salvation depends on the victory of ideals and policies which will promote and not frustrate economic co-operation between the nations.

Scotland, Wales and Ireland.—In their recent economic development, the component parts of the British Isles (South Ireland excepted) present no striking points of difference. Scotland, Wales and Northern Ireland are, like England, industrial areas, which have specialized in a few staple industries. Scotland has concentrated on coal, iron and shipbuilding; Wales on coal and iron; Northern Ireland on shipbuilding and linen. The degree of industrial concentration is relatively higher in these regions than in England, and that explains why they have suffered more heavily from the post-war depression, as unemployment statistics show.

Percentage rate of unemployment amongst insured persons:

	1930	1931	1932	1933
United Kingdom .	16·1	21·3	22·1	19·9
Scotland . .	18·5	26·6	27·7	26·1
Wales . . .	25·9	32·4	36·5	34·6
Northern Ireland .	23·8	27·9	27·3	26·9

[1] According to League of Nations statistics, the world's population increased 6 per cent. between 1913 and 1925, the output of food and raw materials by 17 per cent. Between 1925 and 1929, there was a further increase of 4 per cent. in population, in the output of food and raw materials of 11 per cent.; see Cole, *Intelligent Man's Guide through World Chaos*, p. 27.

[2] Cmd. 3282, p. 10.

The tendency of industry to concentrate in southern England has also told hard on these outlying regions, and the effect of rationalization has in some cases been adverse.[1] Finally, Scotland and Wales have not profited as much as England from the development of the newer type of industries. According to Board of Trade statistics, new factories opened in 1932–3 provided employment for 83,250 persons, but of these only 3,650 were in Scotland and 1,300 in Wales. It is scarcely surprising that this industrial retrogression is reflected in a decline in population. In England, between 1921 and 1931, the population increased from 35,681,000 to 37,794,000. In Scotland, it fell from 4,882,000 to 4,843,000; and in Wales from 2,206,000 to 2,158,000. In Scotland, a large part of the decline was due to emigration. During the period mentioned, Scotland lost nearly 8 per cent. of her population in this way. The loss was to some extent made good by immigration from Ireland. At the 1921 census, 3·8 per cent. of the inhabitants of Scotland gave Ireland as their birthplace; in 1931, 2·6 per cent.

Ireland's recent economic development has been greatly influenced by her political history. In 1921, the Treaty of Union came to an end, and two political units were set up within the island. The six north-eastern counties (population, 1,257,000), which, since the Ulster Plantation, had been predominantly Protestant, were formed into what was called Northern Ireland with a provincial legislature but with representation in the Imperial Parliament. The powers of the legislature are not extensive. Military defence, foreign relations and tariff legislation are reserved to the Imperial Parliament, which also imposes and collects 90 per cent. of the taxes paid in Northern Ireland, including income tax, customs and excise. A Joint Exchequer Board, representing the two Treasuries, decides what share of the proceeds shall be remitted to the North Irish government. In 1938–9, the local expenditure was £12,773,248, and the revenue received £12,822,701. Northern Ireland remains within the British Customs Union.

[1] The rationalization scheme of Imperial Chemicals led to the closing of the Cassel Cyanide Works in the West of Scotland, the largest producers of cyanide in the world.

The rest of Ireland (population, 2,973,000) forms the Irish Free State with Dominion status. The Free State legislature has complete control over finance and tariff legislation, and since 1923 there has been a tariff on British and North Irish goods. In 1927, a separate currency was established under the control of a Currency Commission consisting of bankers and government representatives. The Free State pound is a paper unit, convertible into sterling on demand and backed by gold, British notes and British government securities. Silver, nickel and bronze coins are issued for purposes of small change. The taxational system of the Free State does not differ much from the British. Income tax, customs and excise are the main sources of revenue, which in 1940–41 amounted to £34,638,000 against an expenditure of £37,772,000. The National Debt is about £65 millions, backed by real assets worth £30 millions.

The agrarian character of the Free State is very pronounced, since the only industrial area in Ireland has been included in the northern political unit. Such industries as exist are connected with agriculture, e.g. brewing, distilling, bacon-curing, butter-making, &c. Ireland is still seriously handicapped by her poverty in coal, but the electrification of the Shannon (1925–30) has made available a cheap source of power which will undoubtedly have an important influence on the country's industrial future. Irish agriculture is predominantly pastoral. Out of a total cultivated area in the Free State of $3\frac{1}{2}$ million acres, only about $\frac{3}{4}$ million acres are under corn crops. The main exports are various forms of agricultural produce, which find their way chiefly to England. In 1933, the exports were estimated at £19 millions (imports, £$35\frac{3}{4}$ millions), which compares unfavourably with the figure for the whole of Ireland in 1913, namely, £73 millions. The recent heavy fall in the prices of primary products has hit all agricultural countries hard and plunged the Free State into a depression almost as profound as that which afflicts the industrialized portions of the British Isles.[1]

The New Capitalism.—At the beginning of the chapter, we

[1] A tariff war with Britain since 1932 has helped to curtail Ireland's external trade.

spoke of changes which were peculiar to Britain. In this section, we shall discuss developments which she shares with the other industrialized nations. Of these, the most important is the change which is coming over the economic system that has prevailed in Europe and America for the last 150 years. A convenient name for it is *Capitalism*, and its great historian, Sombart, defines its distinguishing characteristics as (*a*) motive of production—desire for profit, (*b*) form—unrestricted competition, (*c*) method of production —large-scale manufacture by power-driven machinery.[1] The most flourishing period of capitalism, the period of *hochkapitalismus*, as Sombart terms it, stretched from about 1750 to 1914. Since the War, the system has been silently transformed. The most striking changes have taken place in regard to its second great characteristic—unrestricted competition. Freedom of enterprise has been curtailed from two sides. On the one hand, producers have extended the sphere of monopoly by the formation of selling-agreements, cartells, trusts, &c. On the other, the State has placed restraints on the freedom of producers by factory and other laws, and, most significant of all, has lately undertaken to plan and control the whole economic activity of the community. In certain countries, Russia, the United States, Italy and Germany, State planning has been attempted on a large scale. In Britain, the tendency has not yet proceeded very far, but there are some significant examples of it. In the coal and iron industries, government pressure has been brought to bear on producers to devise schemes of rationalization as the price of tariff protection and other forms of State assistance; and in the coal trade, something like a State-supervised cartell was set up by the Coal Mines Act of 1930. A central Council of Colliery Owners fixes quarterly production quotas for the different coal districts, and within each district a local committee fixes minimum selling prices. Flaws in this scheme were revealed during the first two years of its working. Prices were maintained in the home market,

[1] Sombart's great work, *Der Moderne Kapitalismus*, has not been translated into English, but an excellent summary of his views will be found in his article on *Capitalism* in the *Encyclopedia of Social Sciences*, Vol. III, pp. 195–208.

but the quotas handicapped those districts which specialized in the export trade. Another difficulty was that districts selling in the same consumers' market might fix different prices for the same quality of coal. Accordingly, in 1932, quotas were abolished for the export trade, and the Central Council was given power to revise district prices, on the complaint by any district that it was being undersold by another. In agriculture, the principle of State planning has been applied on a much wider scale. There is quite an array of marketing boards for agricultural products. The Agricultural Marketing Acts of 1931 and 1933 authorized the Minister of Agriculture to institute a marketing scheme for any agricultural commodity with the consent of the producers and the approval of Parliament, and the Board of Trade has powers to regulate imports of the commodity in the interests of the scheme. Elected boards, consisting entirely of producers, are put in charge of the schemes and a single committee, representative of consumers' interests, hears complaints from the consumers' side. A standing investigating committee inquires into points submitted to it by the Minister. Already schemes have been established for hops, pigs, bacon, milk and potatoes, and several more are under consideration. The avowed object of the policy is to raise agricultural prices. The extent to which it has succeeded may be judged from the following table : [1]

	(Price index based on 1911–13, 100)						
	1929	1930	1931	1932	1933	1934.	(June)
Pigs . . .	160	153	107	91	102	110	
Milk . . .	169	161	147	144	150	162	
Butter . . .	152	128	111	102	94	87	
Cheese . . .	158	130	116	127	111	108	
Potatoes. . .	117	96	118	197	104	82	
Hops . . .	51	47	77	105	175	115	(agreed basic price for 5 years)

The restraints placed by both producers and the State on the operation of free competition have deprived capitalism of much of its flexibility and a great deal of its dynamic force. Economic activity no longer responds with the same promptness to movements in the price index. Economic progress

[1] Taken from the periodical *Planning*, 31st July, 1934.

assumes a different character. It becomes the slow ponderous advance of a heavily equipped and disciplined army, not the rapid irregular movement of light-armed guerrilla forces. There is much in these changes that suggests the analogy of old age. We may speak of capitalism as becoming stiffer in the joints, more cumbrous in its movements, more cautious and circumspect in its policies. But we must not found arguments on these fanciful comparisons, and say that capitalism is on the point of collapse. For all we know, the changes that have taken place may give it a new lease of life. The possibility that capitalism may crash suddenly, it is true, cannot be ruled out altogether. A series of destructive wars might bring about its downfall, or an abrupt change in the mentality of the European peoples, which would make them indifferent to the motive of pecuniary gain. But in the normal course of things, nothing is likely to bring it to an end except a drying up of the sources of power which would make mass production an impossibility. And this is not likely to take place in the immediate future. England has coal reserves for another three centuries; those of Silesia will last another 1,000 years; and there are vast untapped reserves in China and the East. Even supposing the world's coal supplies gave out, there are alternative forms of power, oil and electricity which are already in use, the force of the tides and the energy of the solar rays which the future ingenuity of man may harness in his service. It would be rash then to predict an early end to the reign of capitalism. But what cannot be denied is that the system has radically changed its character. According to Sombart, it is about to enter on a more tranquil period of its history, marked by a decline in the fierce spirit of gain, a diminution of the capacity for rapid expansion, the substitution of the principle of agreement for that of competition, and the disappearance of abrupt transitions from the course of its evolution.

Conclusion.—The change that has overtaken capitalism is a striking illustration of the instability of all forms of social and economic life. This is one of the great lessons to be learned from a study of history. Social evolution never stands still; change follows hard on the heels of change; every age is an age of transition. Looking back, we see how

one economic system after another has risen, reigned for its brief period and then given way to its successor. Every generation dreams of achieving economic stability, of constructing a system of society which will combine economic efficiency with economic justice. None attains the desired goal. There is something almost painful in this unending spectacle of frustrated efforts and deluded hopes. Yet unless we surrender history to the dreary dominion of chance, we must assume that there is some rational purpose in it all. 'Man', said Kant, 'desires peace, but Nature knows better; she gives him strife.' With the race as with the individual, effort is often richer in blessing than achievement. In wrestling with a stubborn economic environment, in striving after impossible social ideals, mankind perfects its qualities, ennobles its character, and, in some way which we can only dimly perceive, fulfils its high destiny.

FURTHER READING.—Siegfried, *England's Crisis*; Bowley, *Some Economic Consequences of the Great War*; Allen, *British Industries and their Organization*; Clay, *The Post-War Unemployment Problem*; Cole, *British Trade and Industry: Past and Future*; *The Intelligent Man's Guide through World Chaos*; Loveday, *Britain and World Trade*; *Balfour Reports on Industry and Trade*; *Macmillan Report on Finance and Industry*; *Board of Trade Industrial Survey of S.W. Scotland*, 1932; *Board of Trade Industrial Survey of S. Wales*, 1932.

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